JEFFREY S. CRONN

(503) 802-2048
FAX (503) 972-3748
jeffc@tonkon.com

April 30, 2001

Via Edgar

Mr. Mark Austin
Division of Corporation Finance
Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549-0404

TASER International, Inc.
Registration Statement on Form SB-2
Registration No. 333-55658, Amendment No. 2

Dear Mr. Austin:

On behalf of TASER International, Inc., a Delaware corporation (the "Company"), transmitted through the Edgar system for filing pursuant to the Securities Act of 1933, as amended, is Amendment No. 3 to the above referenced Registration Statement on Form SB-2, as amended (No. 333-55658) (the "Registration Statement").

The majority of the changes to the Registration Statement have been made in response to the Staff's comments set forth in its letter of April 23, 2001 (the "Comment Letter"). Certain other changes reflect a decrease in the number of units to be offered by the Company in the offering from 1,100,000 to 800,000 and a related change in the composition of the units offered so that each unit consists of one and one-half shares of the Company's common stock and one and one-half warrants, each whole warrant to purchase one share of the Company's common stock. Other changes were to file additional exhibits and update and clarify information contained in the Company's earlier filings.

This letter also responds to the substantive points raised in the Comment Letter. The numbered responses below correspond to your numbered comments and requests. Also, as requested by the Commission in its telephone conversation with the Company and certain of its representatives on April 26, 2001, included with this letter is Exhibit No. 60 a. - d. to my letter to the Commission dated April 13, 2001, as such exhibit has been amended as of April 30,

2001, to properly reflect the deemed fair value of certain recent issuances of the Company's securities.

Prospectus
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1. The Registration Statement includes information reviewed or passed upon by Arthur Andersen LLP, independent public accountants, and Tonkon Torp LLP, legal counsel to the Company. The Company has or will file the consent of each of these experts to their reference in the Registration Statement as exhibits to the Registration Statement. The Registration Statement does not include information provided, reviewed or passed upon by any other person in reliance upon such person's status as an expert. Accordingly, the Company is not required to file the consent of any other expert as an exhibit to the Registration Statement pursuant to Rule 436(a) of the Securities Act.

In response to the Staff's comment, the Company has amended the Registration Statement to more clearly identify information obtained from publicly available sources and information based on the Company's belief.

Cover Page
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2. The Company has revised its description of the separation of the unit on the cover page as requested.

Prospectus Summary
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3. The Company has revised the first paragraph of the Prospectus Summary in response to the Staff's comment and in connection with a telephone conversation between you and Mr. Thomas P. Palmer of our office.

Risk Factors
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4. The Company has added the requested risk factor to the Risk Factors section of the Registration Statement after the litigation risk factor in response to the Staff's comment.

5. The requested general revisions to the risk factor headings and disclosures have been made.

6. As requested, the Company has removed mitigating language from its risk factors.

7. The Company has reached an agreement with its former turnkey supplier in Mexico for the return of its production equipment and the purchase of remaining component inventory on normal, commercial 30-day terms. As a result, the Company has not

experienced any unusual delays or material costs in relocating its product assembly operations from Mexico to the United States and has deleted the cited risk factor.

8. The requested revision to the cited risk factor has been made.

Dilution
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9. The requested disclosure has been added to the last paragraph in the Dilution section of the Registration Statement. The Company has not used the 80/20 split of the purchase price between the share and warrant portion of the unit in calculating dilution. As disclosed, $8.67 represents the assumed aggregate value of one share of common stock and one public warrant.

Business

Range

10. The Company has revised the last sentence of the bullet point "Range" under "The ADVANCED TASER solution" in the Business section of the Registration Statement in response to the Staff's comment.

Products

11. The National Institute of Justice classifies personal body armor into seven classes or types based on different levels of ballistic resistance. Type III body armor provides the second highest level of protection; it prevents penetration of bullets from all handguns and high-powered rifle rounds, but does not provide protection from armor piercing rifle shells. We have amended the second to the last sentence of the second paragraph of "Products" in the Business section of the Registration Statement in response to the Staff's comment. Accompanying this letter as Exhibit 11 is the relevant portion of a National Institute of Justice study, "Ballistic Resistance of Personal Body Armor." The study is available to the public at no charge from National Law Enforcement and Corrections Technology Center, P.O. Box 1160, Rockville, MD, 20849-1160 or online at http://www.nlectc.org.

Manufacturing

12. The requested disclosure has been added to the final paragraph of "Manufacturing" in the Business section of the Registration Statement.

Competition

13. The requested discussion has been added as the final two sentences of the first paragraph of "Competition" in the Business section of the Registration Statement.

Legal Proceedings

14. As requested, the Company has identified the former distributor under "Legal Proceedings" in the Business section of the Registration Statement. The Company has also expanded the discussion provided in such subsection to disclose the recent filing of a new complaint.

Management

15. The requested disclosure has been added to the description of the experience of Phillips W. Smith in the Management section of the Registration Statement.

Underwriting

16. The requested disclosure has been added as the fourth paragraph of the Underwriting section of the Registration Statement.

17. No materials other than the prospectus have been supplied to participants in the Company's "friends and family" program.

18. An investor must deposit one thousand dollars ($1,000.00) to open an account with Paulson Investment Company. This minimum deposit amount applies to participants in the Company's "friends and family" program. This minimum amount is not tied to the price of the securities purchased through the program.

19. The requested disclosure has been added as the last sentence under "Lock-Up Agreements" in the Underwriting section of the Registration Statement.

PART II

Item 26. Recent Sales of Unregistered Securities

20. The Company has revised Item 26 of Part II of the Registration Statement in response to the Staff's comment.

ACCOUNTING COMMENTS

Prior Comment #39

21. As suggested in its response to prior comment 39, the Company has valued its inventory for the periods presented in accordance with United States generally accepted accounting principles. The Company has and will continue to use full absorption accounting. It evaluates the impact of the application of manufacturing overhead to inventory value at the close of each accounting period and adjusts its financial statements accordingly. To more clearly describe its inventory valuation method, the Company has modified Note 2.b. to its financial statements.

22. As stated in its response to comment 21, the Company will continue to value its inventory using full absorption accounting in future accounting periods.

Prior Comment #49

23. As requested, the Company has amended its Balance Sheets to reflect the treasury stock transaction.

Prior Comment #52

24. As requested, the Company has amended its Statements of Stockholders' Deficit to reflect the treasury stock transaction.

Prior Comment #60

25-29. The requests of the Staff set forth in comments 25-29 were reviewed at length during a conference call on April 26, 2001 among Messrs. Hartz and Bair of the Office of the Chief Accountant, the Company's Chief Executive Officer and Chief Financial Officer, and representatives of the Company's independent public accountants and counsel. As a result of such call, the Company has recorded additional interest expense in the amount of approximately $67,000 with respect to certain option and warrant grants in May and July 2000, as reflected in the financial statements and notes filed in connection with Amendment No. 3 to the Registration Statement.

30. The Company has accounted for the referenced securities issuances in accordance with SFAS No. 123. The Company has valued the securities based on the price of its common stock on the date of issuance reduced to exclude the present value of any expected dividends during the life of the security minus the present value of the exercise price. In each case, the Company assumed no dividends and a risk free interest rate of 5% over the life of the securities.

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The Company issued a former employee options to purchase 3,333 shares of its common stock in May 2000 in connection with the termination of employment of the former employee and his provision of a loan to the Company. The options are exercisable at $0.22 per share and have a life of five years. Using an estimated fair value per share of the common stock in May 2000 of $5.00 and the above assumptions, the Company calculated the minimum value of such options to be $16,045 and recorded this amount as interest expense in 2000.
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In July 2000, the Company issued Bruce Culver a warrant to purchase 22,727 shares of its common stock at a price of $3.30 per share in connection with his provision of a $1.5 million loan to the Company. These warrants have a life of five years. Using an estimated fair value per share of the common stock in July 2000 of $6.00 and the above assumptions, the Company calculated the minimum value of such options to be $77,862 and recorded this amount as interest expense in 2000.
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Prior Comment #62
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31. The disclosure provided in the Use of Proceeds section of the Registration Statement has been revised to indicate the composition of the amount of accrued interest on notes payable to stockholders to be paid. The $300,000 accounts payable amount listed in the Company's Capitalization table is a sum due to certain of the Company's third party trade vendors, none of which are stockholders or otherwise related parties of the Company.

Closing Comments
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32. The Company has taken into account the Staff's closing comments. As requested, we will provide the Staff marked copies of the amended Form SB-2. The Company filed all remaining exhibits with Amendment No. 3 to its SB-2, other than Exhibits 5.1, Opinion of Tonkon Torp LLP, and 23.1, Consent of Tonkon Torp LLP, which will be filed by amendment.

The Company and the underwriters currently anticipate requesting that the Registration Statement be declared effective on or about May 7, 2001. We therefore would appreciate your prompt review of this letter and Amendment No. 3. A formal acceleration request will be filed in accordance with Rule 461.

In the interim, we look forward to discussing with you any further comments or questions you may have regarding the Company's responses set forth in this letter and Amendment No. 3. Please direct your comments to me by calling me at the telephone number above or to Thomas P. Palmer of our office at (503) 802-2018.

Very truly yours,

/s/ Jeffrey S. Cronn

Jeffrey S. Cronn

JSC/ch

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U.S. DEPARTMENT OF JUSTICE
Office of Justice Programs

National Institute of Justice

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BALLISTIC RESISTANCE OF PERSONAL BODY ARMOR

NIJ STANDARD-0101.04
Supersedes NIJ Standard-0101.03, Ballistic Resistance of Police Body Armor dated April 1987

Coordination by:
Office of Law Enforcement Standards
National Institute of Standards and Technology
Gaithersburg, MD 20899-8102

Prepared for:
National Institute of Justice
Office of Science and Technology
Washington, DC 20531

September 2000

NCJ 183651

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NIJ STANDARD
FOR
BALLISTIC RESISTANCE OF PERSONAL BODY ARMOR

1. PURPOSE AND SCOPE

The purpose of this standard is to establish minimum performance requirements and test methods for the ballistic resistance of personal body armor intended to protect the torso against gunfire. This standard is a general revision of NIJ Standard - 0101.03, dated April 1987, updating the labeling requirements, acceptance criteria, test ammunition, procedures, and other items throughout the standard.

The scope of the standard is limited to ballistic resistance only; this standard does not address threats from knives and sharply pointed instruments, which are different types of threat.

2. NIJ BODY ARMOR CLASSIFICATION

Personal body armors covered by this standard are classified into seven classes, or types, by level of ballistic performance. The ballistic threat posed by a bullet depends, among other things, on its composition, shape, caliber, mass, angle of incidence, and impact velocity. Because of the wide variety of bullets and cartridges available in a given caliber and because of the existence of handloaded ammunition, armors that will defeat a standard test round may not defeat other loadings in the same caliber. For example, an armor that prevents complete penetration by a 40 S&W test round may or may not defeat a 40 S&W round with higher velocity. In general, an armor that defeats a given lead bullet may not resist complete penetration by other bullets of the same caliber of different construction or configuration. The test ammunition specified in this standard represent general, common threats to law enforcement officers.

As of the year 2000, ballistic resistant body armor suitable for full time wear throughout an entire shift of duty is available in classification Types I, IIA, II, and IIIA, which provide increasing levels of protection from handgun threats. Type I body armor, which was first issued during the NIJ demonstration project in 1975, is the minimum level of protection that any officer should have. Officers seeking protection from lower velocity 9 mm and 40 S&W ammunition typically wear Type IIA body armor. For protection against high velocity 357 Magnum and higher velocity 9 mm ammunition, officers traditionally select Type II body armor. Type IIIA body armor provides the highest level of protection available in concealable body armor and provides protection from high velocity 9 mm and 44 Magnum ammunition.

Type IIIA armor is suitable for routine wear in many situations; however, departments located in hot, humid climates may need to carefully evaluate their use of Type IIIA body armor for their officers. Types III and IV armor, which protect against high powered rifle rounds, are

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clearly intended for use only in tactical situations when the threat warrants such protection (see app. C).

The classification of an armor panel that provides two or more levels of NIJ ballistic protection at different locations on the ballistic panel shall be that of the minimum ballistic protection provided at any location on the panel.

2.1 TYPE I (22 LR; 380 ACP)

This armor protects against .22 caliber Long Rifle Lead Round Nose (LR LRN) bullets, with nominal masses of 2.6g (40 gr) impacting at a minimum velocity of 320 m/s (1050 ft/s) or less, and 380 ACP Full Metal Jacketed Round Nose (FMJ RN) bullets, with nominal masses of 6.2 g (95 gr) impacting at a minimum velocity of 312 m/s (1025 ft/s) or less.

2.2 TYPE IIA (9 mm; 40 S&W)

This armor protects against 9 mm Full Metal Jacketed Round Nose (FMJ RN) bullets, with nominal masses of 8.0 g (124 gr) impacting at minimum velocity of 332 m/s (1090 ft/s) or less, and 40 S&W caliber Full Metal Jacketed (FMJ) bullets, with nominal masses of 11.7 g (180 gr) impacting at a minimum velocity of 312 m/s (1025 ft/s) or less. It also provides protection against the threats mentioned in section 2.1.

2.3 TYPE II (9 mm; 357 MAGNUM)

This armor protects against 9 mm Full Metal Jacketed Round Note (FMJ RN) bullets, with nominal masses of 8.0 g (124 gr) impacting at a minimum velocity of 358 m/s (1175 ft/s) or less, and 357 Magnum Jacketed Soft Point (JSP) bullets, with nominal masses of 10.2 g (158 gr) impacting at a minimum velocity of 427 m/s (1400 ft/s) or less. It also provides protection against the threats mentioned in sections 2.1 and 2.2.

2.4 TYPE IIIA (HIGH VELOCITY 9 mm; 44 MAGNUM)

This armor protects against 9 mm Full Metal Jacketed Round Nose (FMJ RN) bullets, with nominal masses of 8.0g (124 gr) impacting at a minimum velocity of 427 m/s (1400 ft/s) or less, and 44 Magnum Jacketed Hollow Point (JHP) bullets, with nominal masses of 15.6 g (240 gr) impacting at a minimum velocity of 427 m/s (1400 ft/s) or less. It also provides protection against most handgun threats, as well as the threats mentioned in sections 2.1, 2.2, and 2.3.

2.5 TYPE III (RIFLES)

This armor protects against 7.62 mm Full Metal Jacketed (FMJ) bullets (U.S. Military designation M80), with nominal masses of 9.6 g (148 gr) impacting at a minimum velocity of 838 m/s (2750 ft/s) or less. It also provides protection against the threats mentioned in sections 2.1, 2.2, 2.3, and 2.4.

2.6 TYPE IV (ARMOR PIERCING RIFLE)

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This armor protects against .30 caliber armor piercing (AP) bullets (U.S. Military designation M2 AP), with nominal masses of 10.8 g (166 gr) impacting at a minimum velocity of 869 m/s (2850 ft/s) or less. It also provides at least single hit protection against the threats mentioned in sections 2.1, 2.2, 2.3, 2.4, and 2.5.

2.7 SPECIAL TYPE

A purchaser having a special requirement for a level of protection other than one of the above standard types and threat levels should specify the exact test round(s) and minimum reference impact velocities to be used, and indicate that this standard shall govern in all other aspects.

3. DEFINITIONS

3.1 ANGLE OF INCIDENCE

The angle between the line of flight of the bullet and the perpendicular to the front surface of the backing material fixture as shown in figure 1.

[ANGLE OF INCIDENCE GRAPHIC]

3.2 ARMOR CARRIER

A component of the armor sample or armor panel whose primary purpose is to retain the ballistic panel and provide a means of supporting and securing the armor garment to the user. These carriers are not generally ballistic resistant.

3.3 ARMOR PANEL

The portion of an armor sample that generally consists of an external carrier and its internal ballistic protection component(s) (e.g., the front and back panels).

3.4 ARMOR SAMPLE

EXHIBIT 60 a. - d.

TASER INTERNATIONAL, INC.
ISSUANCES OF OPTIONS, WARRANTS AND COMMON STOCK
FROM JANUARY 1, 1999 THROUGH APRIL 2001
(AMENDED APRIL 30, 2001)

<TABLE>
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DATE OF TRANSACTION	PURCHASER	SECURITY	NUMBER OF SHARES/RIGHT TO PURCHASE NUMBER OF SHARES	PRICE PER SHARE	DEEMED FAIR VALUE PER SHARE AT TIME OF ISSUANCE	AFFILIATIONS AT TIME OF ISSUANCE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1/1/99	Phillips W. Smith	Option to purchase Common Stock	16,667	$0.66	$0.66	Shareholder Director Officer
1/1/99	Patrick W. Smith	Option to purchase Common Stock	10,000	$0.66	$0.66	Shareholder Director Officer
1/1/99	Thomas P. Smith	Option to purchase Common Stock	10,000	$0.66	$0.66	Shareholder Director Officer
1/1/99	Raymond G. Rivera	Option to purchase Common Stock	16,667	$0.60	$0.60	Shareholder Employee
1/1/99	Stephen D. Tuttle	Option to purchase Common Stock	14,167	$0.60	$0.60	Shareholder Officer
1/1/99	Kathleen C. Hanrahan	Option to purchase Common Stock	16,667	$0.60	$0.60	Officer
1/1/99	Stacie L. Sundberg	Option to purchase Common Stock	10,000	$0.60	$0.60	Employee
1/1/99	Milan Cerovic	Option to purchase Common Stock	12,500	$0.60	$0.60	Employee
1/1/99	Stephanie McGuire	Option to purchase Common Stock	833	$0.60	$0.60	Employee
1/1/99	Paula J. Dobbs	Option to purchase Common Stock	833	$0.60	$0.60	Employee
1/1/99	Sharon K. Antico	Option to purchase Common Stock	833	$0.60	$0.60	Employee
1/1/99	Bruce R. Culver	Common Stock	1,666,667	$0.60	$0.60	Shareholder Director

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DATE OF TRANSACTION	PURCHASER	SECURITY	NUMBER OF SHARES/RIGHT TO PURCHASE NUMBER OF SHARES	PRICE PER SHARE	DEEMED FAIR VALUE PER SHARE AT TIME OF ISSUANCE	AFFILIATIONS AT TIME OF ISSUANCE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
5/13/99	Hans Marrero	Option to purchase Common Stock	8,333	$0.60	$0.60	Employee
6/1/99	B&M Distributing	Option to purchase Common Stock	3,958	$7.20	$7.20	Lender
9/1/99	Bruce R. Culver	Common Stock	151,515	$3.30	$3.30	Shareholder Director
1/15/00	Robert Stratbucker	Option to purchase Common Stock	3,030	$3.30	$3.30	Consultant
5/15/00	Jami Hill	Option to purchase Common Stock	500	$3.30	$3.30	Employee
5/26/00	Malcolm W. Sherman	Option to purchase Common Stock	3,333	$0.22	$5.00	Director Officer
7/31/00	Bruce R. Culver	Warrant to purchase Common Stock	22,727	$3.30	$5.00	Shareholder Director
9/1/00	Robert Stratbucker	Option to purchase Common Stock	1,667	$3.30	$8.00	Consultant
12/1/00	Karl F. Walter	Option to purchase Common Stock	6,667	$3.30	$8.00	Director
12/1/00	Matthew R. McBrady	Option to purchase Common Stock	6,667	$3.30	$8.00	Director
1/23/01	Phil Purer	Warrant to purchase Common Stock	5,000	$10.00	$10.00	Lender
2/13/01	Patrick W. Smith	Option to purchase Common Stock	60,000	*	*	Shareholder Director Officer
2/13/01	Thomas P. Smith	Option to purchase Common Stock	60,000	*	*	Shareholder Director Officer
2/13/01	Raymond G. Rivera	Option to purchase Common Stock	30,000	**	**	Shareholder Employee
2/13/01	Stephen D. Tuttle	Option to purchase Common Stock	20,000	**	**	Shareholder Officer

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DATE OF TRANSACTION	PURCHASER	SECURITY	NUMBER OF SHARES/RIGHT TO PURCHASE NUMBER OF SHARES	PRICE PER SHARE	DEEMED FAIR VALUE PER SHARE AT TIME OF ISSUANCE	AFFILIATIONS AT TIME OF ISSUANCE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
2/13/01	Kathleen C. Hanrahan	Option to purchase Common Stock	32,500	**	**	Officer
2/13/01	Stacie L. Sundberg	Option to purchase Common Stock	25,000	**	**	Employee
2/13/01	Milan Cerovic	Option to purchase Common Stock	28,000	**	**	Employee
2/13/01	Stephanie McGuire	Option to purchase Common Stock	1,500	**	**	Employee
2/13/01	Paula J. Dobbs	Option to purchase Common Stock	5,000	**	**	Employee
2/13/01	Sharon K. Antico	Option to purchase Common Stock	5,000	**	**	Employee
2/13/01	Hans Marrero	Option to purchase Common Stock	20,000	**	**	Employee
2/13/01	Jami Hill	Option to purchase Common Stock	3,000	**	**	Employee
2/13/01	Steve Ward	Option to purchase Common Stock	1,000	**	**	Consultant

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*The per share exercise price of this option is equal to 110% of the value of the common stock portion of the initial per share public offering price of the units offered by the Company in this offering.

**The per share exercise price of this option is equal to the value of the common stock portion of the initial per share public offering price of the units offered by the Company in this offering.

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As filed with the Securities and Exchange Commission on April , 2001

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Registration No. 333-55658

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Amendment No. 3

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To
Form SB-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TASER INTERNATIONAL, INC.

(Name of small business issuer in its charter)

Delaware	**3699**	**86-0741227**
(State or other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

7860 E. McClain Drive, Suite 2
Scottsdale, Arizona 85260
(480) 991-0797
(Address and telephone number of principal executive offices and principal place of business)

Patrick W. Smith,
Chief Executive Officer
TASER International, Inc.
7860 E. McClain Drive, Suite 2
Scottsdale, Arizona 85260
(480) 991-0797
(Name, address and telephone number of agent for service)

Copies to:

<R>

Thomas P. Palmer, Esq.
Jeffrey S. Cronn, Esq.
Tonkon Torp LLP
888 S.W. Fifth Avenue, Suite 1600
Portland, Oregon 97204
(503) 802-2018

Mark A. von Bergen, Esq.
Joshua E. Husbands, Esq.
Weiss Jensen Ellis & Howard
2300 U.S. Bancorp Tower
111 S.W. Fifth Avenue
Portland, Oregon 97204
(503) 243-2300

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Approximate date of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security(1)	Proposed Maximum Aggregate Offering Price
Units, each consisting of(2)	920,000	$14.00	$12,880,000
(i) one and one-half shares of common stock, and	1,380,000	—	—
(ii) one and one-half warrants, each whole warrant to purchase one share of common stock	1,380,000	—	—
Underwriters' warrants(3)	80,000		
Units issuable upon exercise of underwriters' warrants, each consisting of	80,000	$16.80	$1,344,000
(i) one and one-half shares of common stock, and	120,000	—	—
(ii) one and one-half warrants, each whole warrant to purchase one share of common stock	120,000	—	—
Common stock issuable upon exercise of warrants, including warrants underlying underwriters' warrants(4)	1,500,000	$15.40	$23,100,000
Total			$37,324,000

[Additional columns below]

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[Continued from above table, first column(s) repeated]

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Title of Each Class of Securities to be Registered	Amount of Registration Fee
Units, each consisting of(2)	$3,220
(i) one and one-half shares of common stock, and	—
(ii) one and one-half warrants, each whole warrant to purchase one share of common stock	—
Underwriters' warrants(3)	
Units issuable upon exercise of underwriters' warrants, each consisting of	$336
(i) one and one-half shares of common stock, and	—
(ii) one and one-half warrants, each whole warrant to purchase one share of common stock	—
Common stock issuable upon exercise of warrants, including warrants underlying underwriters' warrants(4)	$5,775
Total	$9,331(5)

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(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(g) under the Securities Act of 1933.

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(2) Includes 120,000 units which Paulson Investment Company, Inc., the representative of the underwriters, has the option to purchase to cover over-allotments, if any.

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(3) In connection with the sale of the units, TASER International, Inc. will issue to the underwriters warrants to purchase, in the aggregate, up to 80,000 units.

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(4) Pursuant to Rule 416 under the Securities Act of 1933, there are also being registered such additional shares

and warrants as may be issuable pursuant to the anti-dilution provisions of the public warrants and the underwriters' warrants.

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(5) TASER International, Inc. previously paid registration fees in the aggregate amount of $9,514 in connection with the filing of its Registration Statement on Form SB-2 and Amendment No. 2 thereto on February 14 and April 13, 2001, respectively.

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

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SUBJECT TO COMPLETION, DATED APRIL 30, 2001

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PRELIMINARY PROSPECTUS

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800,000 Units

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This is an initial public offering of units by TASER International, Inc. Each unit consists of one and one-half shares of common stock and one and one-half redeemable public warrants, each whole warrant to purchase one share of common stock. We expect that the initial public offering price will be between $13 and $14 per unit. Prior to this offering, there has been no public market for our securities. We have filed an application to list the units, the common stock and the public warrants on The Nasdaq SmallCap Market under the symbols “TASRU,” “TASR” and “TASRW,” respectively.

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The common stock and warrants will trade only as a unit for at least 30 days following this offering. The representative of the underwriters will then determine when the units separate, after which the common stock and the public warrants will trade separately. The representative intends to separate the units 30 days after this offering absent unforeseen circumstances.

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Investing in these units involves significant risks. See “Risk Factors” beginning on page 4.

	Per Unit	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds to TASER International, Inc	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

<R>

Paulson Investment Company, Inc. is the representative of the underwriters. We have granted the representative the option for a period of 45 days to purchase up to an additional 120,000 units to cover over-allotments.

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PAULSON INVESTMENT COMPANY, INC.

<R>

MERCER PARTNERS, INC.

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<R>

Investment

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<R>

Banking

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The date of this prospectus is , 2001.

PROSPECTUS SUMMARY

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The following summary highlights material information which is presented in more detail elsewhere in this prospectus. Before making an investment decision, you should read the entire prospectus carefully, including the "Risk Factors" section, the financial statements and the notes to the financial statements.

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Historical information regarding our securities has been adjusted to reflect a 1-for-6 reverse stock split effected in connection with our reincorporation in Delaware on February 12, 2001. Except as otherwise indicated, all information in this prospectus assumes no exercise of the representative's over-allotment option or the underwriters' warrants. References to "we," "us," the "company" or "TASER" mean TASER International, Inc., unless otherwise indicated.

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Our Company

TASER International, Inc. develops, assembles and markets less-lethal, conducted energy weapons primarily for use in the law enforcement and corrections market. Our ADVANCED TASER weapon offers improved performance over other less-lethal force options used by law enforcement agencies. It can temporarily incapacitate virtually any individual regardless of pain tolerance, drug use, or body size — factors that cause other less-lethal options to have decreased effectiveness. The ADVANCED TASER also has a comparable or lower injury rate than other less-lethal weapons and has had no reported long-term, adverse after-effects.

The ADVANCED TASER uses compressed nitrogen to shoot two small probes up to 21 feet. These barbed probes are connected to the weapon by high-voltage insulated wires. When the probes make contact with the target, the ADVANCED TASER transmits powerful electrical pulses along the wires and into the body of the target through up to two inches of clothing. These electrical pulses impair voluntary muscle control so that the subject cannot perform coordinated action.

Nearly all law enforcement agencies authorize the use of less-lethal weapons, including pepper sprays, impact devices, and conducted energy weapons such as TASERs. Effective less-lethal weapons may increase the safety of law enforcement officers, decrease suspect injuries, improve community relations, reduce litigation and police department medical and liability insurance costs, and potentially save lives.

Since December 1999, over 400 police departments in the United States have made initial purchases of our products, and 15 police departments, including San Diego, Sacramento and Albuquerque, have purchased our products for every patrol officer. In addition, at February 1, 2001, more than 200 other police departments were evaluating the use of the ADVANCED TASER.

The key elements of our growth strategy are:

- To expand sales in the law enforcement and corrections market, which we believe to be the opinion leader for all other markets for less-lethal weapons;
- To expand into the related private security and military markets;
- To expand into the consumer market;
- To develop enhanced less-lethal weapons and technologies, such as longer-range TASERs and TASERs with multiple shot capabilities; and
- To acquire related businesses that enhance our strategic position.

Our corporate headquarters is located at 7860 East McClain Drive, Suite 2, Scottsdale, Arizona 85260 and our telephone number is (480) 991-0797. Our website address is www.eTASER.com. Information contained on our website or any other website does not constitute a part of this prospectus.

This Offering

Securities offered	800,000 units. Each unit consists of one and one-half shares of common stock and one and one-half public warrants, each whole warrant to purchase an additional share of common stock. See "Description of Securities."
	The common stock and public warrants will trade only as a unit for at least 30 days following this offering. The representative of the underwriters will then determine when the units separate, after which the common stock and the public warrants will trade separately.
Public warrants	The public warrants included in the units will be exercisable commencing 30 days after this offering. The exercise price of a public warrant is 110% of two-thirds of the initial public offering price of the units. The public warrants expire on the fifth anniversary of the closing of this offering.
	We have the right to redeem the public warrants issued in this offering at a redemption price of $0.25 per public warrant, after providing 30 days prior written notice to the public warrant holders, if at the time of the notice, the basic net income per share of our common stock as confirmed by audit for a 12-month period preceding the date of the notice is equal to or greater than $1.00.
Common stock outstanding after this offering	2,710,754 shares
Use of proceeds	Sales and marketing, purchases of inventory, repayment of stockholder and other debt, working capital, research and development, and production tooling. See "Use of Proceeds."
Proposed Nasdaq SmallCap Market symbols	
Common stock	TASR
Units offered in this offering	TASRU
Public warrants included in the units	TASRW

The number of shares of common stock outstanding after this offering is based on 1,510,754 shares outstanding as of March 15, 2001. The number of shares of common stock outstanding after this offering assumes no exercise of the representative's over-allotment option and does not include an aggregate of 1,927,049 shares of common stock that may become outstanding as follows:

- 434,322 shares of common stock issuable upon exercise of stock options outstanding as of March 15, 2001, with a weighted average exercise price of $4.94;
- 52,727 shares of common stock issuable upon exercise of warrants outstanding as of March 15, 2001, with a weighted average exercise price of $4.71;
- 1,200,000 shares of common stock issuable upon exercise of the public warrants; and
- 120,000 shares of common stock issuable upon exercise of the underwriters' warrants and 120,000 shares of common stock issuable upon exercise of the public warrants underlying the underwriters' warrants.

SUMMARY FINANCIAL INFORMATION

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	Years Ended December 31,	
	1999	2000
Statements of Operations Data:		
Net sales	$ 2,208,488	$3,412,620
Gross margin	120,002	1,574,231
Loss from operations	(1,386,838)	(46,885)
Net loss	(1,666,733)	(473,247)
Basic and diluted net loss per share of common stock	$ (0.54)	$ (0.19)
Basic and diluted shares of common stock	3,076,410	2,482,976

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	December 31, 2000	
	Actual	As adjusted
Balance Sheet Data:		
Working capital (deficiency)	$(1,069,344)	$6,580,656
Property and equipment, net	274,273	1,024,273
Total assets	1,039,066	8,737,212
Total long-term debt	2,822,144	2,822,144
Stockholders' equity (deficit)	$(3,617,215)	$4,782,785

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The as adjusted balance sheet data reflects:

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- the receipt of approximately $8,400,000 as the estimated net proceeds from the sale of 800,000 units offered by us in this offering at an assumed public offering price of $13.00 per unit, after deducting the underwriting discount, expense allowance and estimated offering expenses; and

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- our planned use of the net proceeds of this offering.

We have rights to the following registered trademarks: TASER® and AIR TASER®. We also have the following unregistered trademarks: TASER Wave™, T-Wave™, AUTO TASER™, ADVANCED TASER™ and AFID™. *Each other trademark, trade name or service mark appearing in this prospectus belongs to its respective holder.*

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing any units. Any of the following risks could materially harm our business, operating results and financial condition, and could result in a decrease in the trading price of our units, common stock or public warrants, or in a complete loss of your investment.

Risks Related to Our Business

We have no history of profitable operations and may incur future losses.
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Since our inception in 1993, we have incurred significant losses. Our net losses for the years ended December 31, 1999 and 2000 were $1.7 million and $473,000, respectively. We may never achieve or sustain profitability. At December 31, 2000, we had an accumulated deficit of approximately $6.8 million and negative stockholders' equity of $3.6 million. We also had a net working capital deficit of $2.4 million and $1.1 million at December 31, 1999 and 2000, respectively. In addition, we expect our operating expenses to increase significantly as we expand our sales and marketing efforts and otherwise support our expected growth. Given these planned expenditures, we may incur additional losses in the near future.
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Our business is difficult to evaluate because we have a limited operating history in the law enforcement and corrections market and have been focused on our current business strategy for only approximately one and one-half years.

We revised our business strategy in late 1999 to concentrate on the law enforcement and corrections market. Accordingly, we have a limited operating history based on which you can evaluate our present business and future prospects. We face risks and uncertainties relating to our ability to implement our business plan successfully. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by newly-public companies that have recently changed their business strategies. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations, financial condition and prospects will be materially harmed.
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We are materially dependent on acceptance of our products by the law enforcement and corrections market, and if law enforcement and corrections agencies do not purchase our products, our revenues will be adversely affected and we may not be able to expand into other markets.
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A substantial number of law enforcement and corrections agencies may not purchase our conducted energy, less-lethal weapons. In addition, if our products are not widely accepted by the law enforcement and corrections market, we may not be able to expand sales of our products into other markets. Law enforcement and corrections agencies may be influenced by claims or perceptions that conducted energy weapons are unsafe or may be used in an abusive manner. In addition, earlier generation conducted energy weapons may have been perceived as ineffective. Sales of our products to these agencies may also be delayed or limited by these claims or perceptions.
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We substantially depend on sales of the ADVANCED TASER, and if this product is not widely accepted, our growth prospects will be diminished.

In 2000, we derived the majority of our revenues from sales of ADVANCED TASERs and related cartridges, and expect to depend on sales of this product for the foreseeable future. A decrease in the prices of or demand for this product line, or its failure to achieve broad market acceptance, would significantly harm our growth prospects, operating results and financial condition.

If we are unable to manage our projected growth, our growth prospects may be limited and our future profitability may be adversely affected.

We intend to expand our sales and marketing programs and our manufacturing capability. Rapid expansion may strain our managerial, financial and other resources. If we are unable to manage our growth, our business, operating results and financial condition could be adversely affected. Our systems, procedures, controls and management resources also may not be adequate to support our future operations. We will need to continually improve our operational, financial and other internal systems to manage our growth effectively, and any failure to do so may lead to inefficiencies and redundancies, and result in reduced growth prospects and profitability.
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We may face personal injury and other liability claims that harm our reputation and adversely affect our sales and financial condition.
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Our products are often used in aggressive confrontations that may result in serious, permanent bodily injury to those involved. Our products may cause or be associated with these injuries. A person injured in a confrontation or otherwise in connection with the use of our products may bring legal action against us to recover damages on the basis of theories including personal injury, wrongful death, negligent design, dangerous product or inadequate warning. We may also be subject to lawsuits involving allegations of misuse of our products. If successful, personal injury, misuse and other claims could have a material adverse effect on our operating results and financial condition. Although we carry product liability insurance, significant litigation could also result in a diversion of management's attention and resources, negative publicity and an award of monetary damages in excess of our insurance coverage.
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Our future success is dependent on our ability to expand sales through distributors and our inability to recruit new distributors would negatively affect our sales.
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Our distribution strategy is to pursue sales through multiple channels with an emphasis on independent distributors. Our inability to recruit and retain police equipment distributors who can successfully sell our products would adversely affect our sales. In addition, our arrangements with our distributors are generally short-term. If we do not competitively price our products, meet the requirements of our distributors or end-users, provide adequate marketing support, or comply with the terms of our distribution arrangements, our distributors may fail to aggressively market our products or may terminate their relationships with us. These developments would likely have a material adverse effect on our sales. Our reliance on the sales of our products by others also makes it more difficult to predict our revenues, cash flow and operating results.
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We expend significant resources in anticipation of a sale due to our lengthy sales cycle and may receive no revenue in return.

Generally, law enforcement and corrections agencies consider a wide range of issues before committing to purchase our products, including product benefits, training costs, the cost to use our products in addition to or in place of other less-lethal products, product reliability and budget constraints. The length of our sales cycle may range from 60 days to a year or more. We may incur substantial selling costs and expend significant effort in connection with the evaluation of our products by potential customers before they place an order. If these potential customers do not purchase our products, we will have expended significant resources and received no revenue in return.

Most of our end-users are subject to budgetary and political constraints which may delay or prevent sales.

Most of our end-user customers are government agencies. These agencies often do not set their own budgets and therefore have little control over the amount of money they can spend. In addition, these agencies experience political pressure that may dictate the manner in which they spend money. As a result, even if an agency wants to acquire our products, it may be unable to purchase them due to budgetary or political constraints. Some government agency orders may also be canceled or substantially

delayed due to budgetary, political or other scheduling delays which frequently occur in connection with the acquisition of products by such agencies.

Government regulation of our products may adversely affect sales.

Federal regulation of sales in the United States. Our weapons are not firearms regulated by the Bureau of Alcohol, Tobacco and Firearms, but are consumer products regulated by the United States Consumer Product Safety Commission. Although there are currently no federal laws restricting sales of our weapons in the United States, future federal regulation could adversely affect sales of our products.

Federal regulation of international sales. Our weapons are controlled as a "crime control" implement by the United States Department of Commerce, or DOC, for export directly from the United States. Consequently, we must obtain an export license from the DOC for the export of our weapons from the United States other than to Canada. While we have a history of timely obtaining DOC export licenses for sales of our weapons to the majority of our international customers, unforeseen changes in U.S. export regulations could significantly and adversely affect our international sales.

State and local regulation. Our weapons are currently controlled, restricted or their use prohibited by several state and local governments. Our weapons are banned from consumer sale or use in seven states: New York, New Jersey, Rhode Island, Michigan, Wisconsin, Massachusetts and Hawaii. Law enforcement use of our products is also restricted in Michigan, New Jersey, Rhode Island and Hawaii. Some municipalities, including Omaha, Nebraska and Washington, D.C., also prohibit consumer use of our products. Other jurisdictions may ban or restrict the sale of our products, and our product sales may be significantly affected by additional state, county and city governmental regulation.

Foreign regulation. Certain foreign jurisdictions, including Japan, the United Kingdom, Australia, Italy and Hong Kong, prohibit the sale of conducted energy weapons, limiting our international sales opportunities.

If we are unable to protect our intellectual property, we may lose a competitive advantage or incur substantial litigation costs to protect our rights.

Our future success depends in part upon our proprietary technology. Our protective measures, including a patent, trademarks and trade secret laws, may prove inadequate to protect our proprietary rights. Our United States patent on the construction of the gas cylinder used to store the compressed nitrogen in our cartridges expires in 2015. The holder of the patent on the process by which compressed gases launch the probes in our cartridges has licensed the technology covered by the patent for use in electronic weapons only to us and to two other companies. This patent expires in 2009. The scope of any patent to which we have or may obtain rights may not prevent others from developing and selling competing products. The validity and breadth of claims covered in technology patents involve complex legal and factual questions, and the resolution of such claims may be highly uncertain, lengthy, and expensive. In addition, our patents may be held invalid upon challenge, others may claim rights in or ownership of our patents.
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We are subject to intellectual property infringement claims, which will cause us to incur litigation costs and divert management attention from our business.
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Any intellectual property infringement claims against us, with or without merit, could be costly and time-consuming to defend and divert our management's attention from our business. If our products were found to infringe a third party's proprietary rights, we could be required to enter into royalty or licensing agreements in order to be able to sell our products. Royalty and licensing agreements, if required, may not be available on terms acceptable to us or at all.
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In early April 2001, a patent licensee sued us in the United States District Court, Central District of California. The lawsuit alleges that certain technology used in the firing mechanism for our weapons infringes upon a patent for which the licensee holds a license, and seeks injunctive relief and unspecified
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monetary damages. An outcome that is adverse to us, costs associated with defending the lawsuit, and the diversion of management's time and our resources as a result of the claim could harm our business and our financial condition.
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Competition in the law enforcement and corrections market could reduce our sales and prevent us from achieving profitability.

The law enforcement and corrections market is highly competitive. We face competition from numerous larger, better capitalized and more widely known companies that make other less-lethal weapons and products, as well as from a small company that also sells conducted energy less-lethal weapons. Increased competition may result in greater pricing pressure, lower gross margins and reduced sales, and prevent us from achieving profitability.

Defects in our products could reduce demand for our products and result in a loss of sales, delay in market acceptance and injury to our reputation.

Complex components and assemblies used in our products may contain undetected defects that are subsequently discovered at any point in the life of the product. In 2000, we recalled a series of ADVANCED TASERs due to a defective component in connection with which we incurred expenses of approximately $9,000 and recorded an additional charge of approximately $41,000 to account for related future expenses. Defects in our products may result in a loss of sales, delay in market acceptance, injury to our reputation and increased warranty costs.

Our revenues and operating results may fluctuate unexpectedly from quarter to quarter, which may cause our stock price to decline.

Our revenues and operating results have varied significantly in the past and may vary significantly in the future due to various factors, including changes in our operating expenses, market acceptance of our products and services, regulatory changes that may affect the marketability of our products, and budgetary cycles of municipal, state and federal law enforcement and corrections agencies. As a result of these and other factors, we believe that period-to-period comparisons of our operating results may not be meaningful in the near term and that you should not rely upon our performance in a particular period as indicative of our performance in any future period.
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Our dependence on third-party suppliers for key components of our weapons could delay shipment of our products and reduce our sales.
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We depend on certain domestic and foreign suppliers for the delivery of components used in the assembly of our products. Our reliance on third-party suppliers creates risks related to our potential inability to obtain an adequate supply of components or subassemblies and reduced control over pricing and timing of delivery of components and subassemblies. Specifically, we depend on suppliers of sub-assemblies, machined parts, injection molded plastic parts, printed circuit boards, custom wire fabrications and other miscellaneous custom parts for our products. The final assembly of the cartridges used in the firing of our weapons was prevented for four weeks beginning in November 2000 by a supplier's receipt of defective wire used as a component in the cartridges. We also do not have long-term supply agreements with any of our suppliers. Any interruption of supply for any material components of our products could significantly delay the shipment of our products and have a material adverse effect on our revenues, profitability and financial condition.
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Foreign currency fluctuations may reduce our competitiveness and sales in foreign markets.
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The relative change in currency values creates fluctuations in product pricing for potential international customers. These changes in foreign end-user costs may result in lost orders and reduce the competitiveness of our products in certain foreign markets. These changes may also negatively affect the financial condition of some foreign customers and reduce or eliminate their future orders of our products.
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If we were to default under our revolving credit agreement, the bank could proceed against substantially all of our assets, making it impossible for us to continue operations.
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We have recently entered into a revolving credit agreement with a bank and pledged substantially all of our assets, other than our intellectual property, to secure such indebtedness. If for any reason we were unable to meet our payment obligations, we would be in default under such agreement and the bank could declare our debt immediately due and payable and proceed against its collateral. In such event, much of our equipment and inventory would likely be sold to others, and we would be unable to continue operations.
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Pending litigation may subject us to significant litigation costs and divert management attention from our business.
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A former distributor of our products has filed a lawsuit in the state of New York asserting certain rights of exclusive sales representation with respect to our products. The former distributor claims that he has the exclusive right to market and sell our products to an extensive list of our current and potential customers throughout the United States. The suit was dismissed in February 2001 for lack of personal jurisdiction of the New York court. In March 2001, the former distributor appealed the dismissal. In addition, in early April 2001, a patent licensee sued us in the United States District Court, Central District of California. The lawsuit alleges that certain technology used in the firing mechanism for our weapons infringes upon a patent for which the licensee holds a license, and seeks injunctive relief and unspecified monetary damages. An outcome that is adverse to us, costs associated with defending these lawsuits and the diversion of our management's time and our resources as a result of these claims could harm our business or financial condition.
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Risks Related to This Offering

We may use the proceeds of this offering in ways that do not improve our operating results or the market value of our securities.

We intend to use the net proceeds from this offering for increased sales and marketing efforts, purchases of inventory, repayment of a portion of our stockholder and other debt, general corporate purposes, research and development, and purchases of production tooling and equipment. Repayment of our debt will not directly improve our operating results. Our management will retain broad discretion and significant flexibility in applying the net proceeds from this offering. If our management does not apply the proceeds effectively, our business will be harmed.

You will suffer immediate and substantial dilution of your investment.
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We anticipate that the initial public offering price of the units will be substantially higher than the net tangible book value per share of our common stock after this offering. As a result, you will incur immediate dilution of approximately $6.91, or 81%, in net tangible book value for each share of our common stock included in the units you purchase.
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There has been no prior market for our securities and a public market for our securities may not develop or be sustained.

Prior to this offering, you could not buy or sell our securities publicly. If an active public market for our securities does not develop after this offering, the market price of our securities may fall below their initial public offering price, and the liquidity of your investment may be significantly limited.

The initial public offering price of our units may not accurately reflect their future market performance.

The initial public offering price of the units has been determined based on negotiations between the underwriters' representative and us. The initial public offering price may not be indicative of future market

performance and may bear no relationship to the price at which our units, common stock or public warrants will trade.

The price of our securities may be volatile, which may lead to losses by investors.

The stock market has recently experienced significant price and volume fluctuations. You may not be able to resell our securities at or above the initial public offering price. The price of our securities may fluctuate significantly in response to a number of factors, including:

- Our quarterly operating results;
- Changes in earnings estimates by analysts and whether our earnings meet or exceed such estimates;
- Announcements of technological innovations by us or our competitors;
- Additions or departures of key personnel; and
- Other events or factors that may be beyond our control.

Volatility in the market price of our securities could lead to claims against us. Defending these claims could result in significant litigation costs and a diversion of our management's attention and resources.

Future sales of our common stock by our existing stockholders could decrease the trading price of our common stock.

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Sales of a large number of shares of our common stock in the public markets after this offering, or the potential for such sales, could decrease the trading price of our common stock and could impair our ability to raise capital through future sales of our common stock. Upon completion of this offering, there will be 2,710,754 shares of our common stock outstanding. The 1,200,000 shares of common stock sold in this offering and the 1,200,000 shares of common stock reserved for issuance upon exercise of the public warrants sold in this offering will be freely tradeable without restriction or further registration under the Securities Act of 1933, unless such shares are purchased by our "affiliates," as that term is defined in such act. An additional 1,927,049 shares of common stock, including shares issuable upon exercise of the underwriters' warrants, may become outstanding upon exercise or conversion of options or warrants currently outstanding or sold in this offering, subject to various lock-up agreements prohibiting the sale of such shares for one year following completion of this offering.

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The exercise of previously issued options and warrants may dilute your investment in our shares and impair our ability to obtain equity financing.

As of March 15, 2001, in addition to the 1,510,754 shares outstanding, there were currently outstanding options to purchase 434,322 shares of our common stock, 119,055 of which were currently exercisable. We have reserved an additional 259,000 shares of our common stock for issuance pursuant to options that may be granted in the future to key employees, and others, under our 2001 Stock Option Plan. In addition, we have issued warrants to acquire up to 52,727 shares of our common stock. While such options and warrants are outstanding, the holders of such securities have the opportunity to profit from a rise in the value or market price of our common stock, and the exercise of these options and warrants could dilute the then book value per share of our common stock. The existence of these options and warrants could adversely affect the terms at which we could obtain additional equity financing. Moreover, the holders of the options and warrants may be expected to exercise them at a time when we could obtain equity capital on terms more favorable than those provided by the options and warrants.

We will need to comply with federal and state securities laws to maintain the tradeability of our securities.

We must maintain in effect the registration statement filed with the Securities and Exchange Commission with respect to the units and must also comply with the securities laws of a state for the units, common stock and public warrants to be tradeable in that state. If we do not comply with federal or

state securities laws, your ability to sell the securities offered by this prospectus may be significantly reduced.

Certain of our directors or investors will personally benefit from the use of the proceeds of this offering.

We will use the proceeds from this offering to repay approximately $100,000 of unreimbursed business expenses to our chairman and to retire the interest accrued through March 1, 2001 on our outstanding stockholder notes. In addition, if the over-allotment option granted to the representative of the underwriters is exercised in full, approximately $1.3 million in stockholder notes, including a note issued to our chairman, will be retired. This debt matures July 1, 2002, unless extended.

Our directors and executive officers will continue to control us after this offering, which may lead to conflicts with stockholders over corporate governance.
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Following completion of this offering, our directors and executive officers will beneficially own approximately 53% of our outstanding common stock. These stockholders, acting together, would be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and significant corporate transactions, such as mergers or other business combination transactions. This control may have the effect of delaying or preventing a third party from acquiring or merging with us. In addition, prior to the appointment of disinterested, independent directors to our board of directors in January 2001, certain past transactions, including issuances of stock and options to and borrowings from officers and directors, were not approved by two disinterested, independent directors at the time of the transaction.
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We do not intend to pay cash dividends in the foreseeable future.

Any investors who have or anticipate any need for immediate income from their investment should not purchase any of the units offered hereby.
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Provisions of our charter documents and Delaware law may have anti-takeover effects that could hinder a change in our corporate control, which may cause the market price of our securities to decline.
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Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These provisions include:

- authorizing our board of directors to issue preferred stock without stockholder approval;
- providing for a classified board of directors with staggered, three-year terms; and
- allowing written stockholder actions only by unanimous consent.

Provisions of Delaware law, including provisions that prohibit business combinations with entities holding greater than a threshold amount of voting stock, also may discourage, delay or prevent someone from acquiring or merging with us, which may cause the market price of our securities to decline.

You should not rely upon our forward-looking statements.

Some of the statements made in this prospectus discuss future events and developments, including our future business strategy and our ability to generate revenue, income and cash flow. In some cases, you can identify forward-looking statements by words or phrases such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “our future success depends,” “seek to continue,” or the negative of these words or phrases, or comparable words or phrases. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various facts, including the risks outlined under “Risk Factors.” These factors may cause our actual results to differ materially from any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

USE OF PROCEEDS

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We estimate that the net proceeds from the sale of the 800,000 units that we are selling in this offering will be approximately $8,400,000, or $9,772,800 if the representative exercises its over-allotment option in full, based on an assumed public offering price of $13.00 per unit, and after deducting the underwriting discount, expense allowance, and estimated offering expenses of $752,000 payable by us.

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

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	Approximate Amount	Approximate Percentage
Payment of note payable to stockholder	$ 100,000	1%
Accrued interest on notes payable to stockholders	300,000	4
Payment of notes due to unrelated private lender, including accrued interest	612,000	7
Payment of note to third party vendor	190,000	2
Purchases of inventory	1,700,000	20
Sales and marketing programs	2,820,000	34
Research and development	750,000	9
Production tooling and equipment	750,000	9
Other working capital/general corporate purposes	1,178,000	14
Total	$8,400,000	100%

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The debt we intend to repay includes:

- a $99,794 note at an interest rate of 10% payable to Phillips Smith, our chairman and a stockholder, for unreimbursed business expenses;

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- $300,400 of accrued interest on notes payable to Bruce Culver, a director and stockholder, and Phillips Smith, consisting of $268,300 outstanding at December 31, 2000 and accrued interest for the period from January 1, 2001 through March 31, 2001 of approximately $32,100;

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- $611,500 of notes and accrued interest at interest rates ranging from 11% to 18%, payable to an unrelated private lender; and

- a $189,980 note at an interest rate of 10% payable to a third-party vendor.

Further, if the representative exercises its over-allotment option in full, we will repay the principal on other outstanding stockholder notes of approximately $1.3 million which currently mature in July 2002.

We may use the portion of the net proceeds of this offering currently allocated to other working capital/general corporate purposes to take advantage of early payment discounts which may be available from our suppliers, prepay some of our capital leases or reduce our current liabilities other than amounts owing to related parties. Although we currently have no agreements or commitments to do so, we may also use a portion of the net proceeds to license or acquire new products, technologies or intellectual property or to acquire or invest in businesses complimentary to ours. We have no current plans or proposals pending for any such acquisitions or investments. Pending application of the net proceeds, we intend to invest the net proceeds in interest-bearing, investment grade securities.

The foregoing discussion is merely an estimate based on our current business plan. Our actual expenditures may vary depending upon circumstances not yet known, such as the time actually required to reach a positive cash flow or to successfully expand the market for our products.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our shares of common stock and do not anticipate paying any cash dividends in the foreseeable future. Currently, we intend to retain any future earnings for use in the operation and expansion of our business. Any future decision to pay cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, capital requirements and other factors our board of directors may deem relevant.

CAPITALIZATION

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The following table sets forth our capitalization at December 31, 2000 on an actual basis and on a pro forma basis, after giving effect to our reincorporation in Delaware, our related 1-for-6 reverse stock split, and the sale of 800,000 units offered hereby at an estimated price of $13.00 per unit and the proposed application of the estimated net proceeds therefrom. This table should be read in conjunction with, and is qualified by, the financial statements and notes thereto included elsewhere in this prospectus.

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	December 31, 2000	
	Actual	Pro Forma
	(dollars in thousands)	
Current portion of note payable(1)	$ 100	$ —
Current portion of notes payable to stockholders	125	—
Accounts payable	300	—
Note payable to a third party vendor	190	—
Accrued interest on notes payable to stockholders	268	—
	$ 983	$ —
Long-term notes payable to stockholders and others, and capital lease obligations, excluding current portion	$ 2,822	$2,822
Stockholders' equity (deficit) Preferred stock $0.00001 par value, 25,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock $0.00001 par value, 50,000,000 shares authorized; 1,510,754 shares issued and outstanding actual, 2,710,754 shares issued and outstanding pro forma(2)	—	—
Additional paid-in capital	3,257	4,863
Common Stock held in treasury, at cost, 1,666,667 shares as of December 31, 2000	—	—
Deferred compensation	(80)	(80)
Retained earnings (deficit)(3)	(6,794)	—
Total stockholders' equity (deficit)	(3,617)	4,783
Total capitalization (deficiency)	$ (795)	$7,605

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(1) Subsequent to December 31, 2000, an unrelated private lender loaned us $500,000, which is due to be repaid, with accrued interest, from proceeds from this offering upon its closing or by July 1, 2002, whichever is earlier.

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(2) Does not include (i) 434,322 shares of common stock issuable upon exercise of stock options issued pursuant to our stock option plans, which have a weighted average exercise price of $4.94 per share, (ii) an additional 52,727 shares of common stock issuable upon exercise of warrants outstanding, which have a weighted average exercise price of $4.71, (iii) the shares of common stock exercisable upon exercise of the public warrants, and (iv) the shares of common stock underlying the units issuable upon exercise of the representative's over-allotment option or the underwriters' warrants.

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(3) Our accumulated deficit, which was $6.8 million at December 31, 2000, was reclassified into additional paid-in capital upon the termination of our S-corporation tax status in the first quarter of 2001.

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DILUTION

If you invest in our units, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock after this offering. For purposes of the dilution computation and the following tables, we have allocated the full purchase price of a unit to the share of common stock included in the unit and

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nothing to the warrant included in the unit. As of December 31, 2000, our net tangible book value was a negative $3,617,215, or a deficiency of $2.39 per share of common stock. Net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities, divided by the total number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by the purchasers of our units in this offering and the net tangible book value per share of our common stock immediately afterwards. Without taking into effect any changes in the net tangible book value after December 31, 2000, other than to give effect to the sale of 800,000 units, each consisting of one and one-half shares of common stock and one and one-half warrants, each whole warrant to purchase one share of common stock, in this offering at the assumed initial public offering price of $13.00 per unit, in the aggregate, or $8.67 per one share of common stock and one warrant to purchase one share of common stock, and the application of the net proceeds of this offering, the net tangible book value of TASER as of December 31, 2000 would have been $4,782,785, or $1.76 per share. This represents an immediate increase of $4.15 per share of common stock to existing stockholders and an immediate dilution of $6.91 per share of common stock to the new investors who purchase units in this offering. The following table illustrates this per share dilution:
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Assumed initial public offering price per one share of common stock and one warrant to purchase one share of common stock		$8.67
Net tangible book value (deficiency) per share before this offering	$(2.39)	
Increase in net tangible book value per share attributable to new investors	$ 4.15	
As adjusted net tangible book value per share after this offering		$1.76
Dilution in net tangible book value per share to new investors		$6.91

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The following table summarizes as of December 31, 2000 the differences between the existing stockholders and the new investors with respect to the number of shares of common stock purchased, the total consideration paid, and the average price per share paid:
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	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	1,510,754	56%	$ 3,189,548	23%	$2.11
New investors	1,200,000	44%	10,400,000	77%	$8.67
Total	2,710,754	100%	$13,589,548	100%	

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The above computations assume no exercise of outstanding options to purchase 434,322 shares of our common stock as of March 15, 2001, which have a weighted average exercise price of $4.94 per share, or outstanding warrants to purchase 52,727 shares of our common stock as of March 15, 2001, which have a weighted average exercise price of $4.71 per share, the representative's over-allotment option, the public warrants included in units sold in this offering or the underwriters' warrants, as the exercise of such securities would be anti-dilutive. If the representative's over-allotment option is exercised in full, dilution per share to new investors would be $6.54 per share of common stock.
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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to the financial statements included elsewhere in this prospectus. This discussion contains forward-looking statements that relate to future events or our future financial performance. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, among others, those listed under "Risk Factors" and those included elsewhere in this prospectus.

Overview

We began operations in Arizona in 1993 for the purpose of developing and manufacturing less-lethal self-defense devices. From inception until the introduction of our first product, the AIR TASER, in 1994, we were in the development stage and focused our efforts on product development, raising capital, hiring key employees and developing marketing materials to promote our product line.

In 1995 and 1996, we focused our efforts on promoting retail sales and establishing distribution channels for the AIR TASER product line. However, our marketing efforts were limited by a non-compete agreement prohibiting the company from marketing or selling our products to the U.S. law enforcement and military markets. Accordingly, initial sales of the AIR TASER were limited to the consumer market. While early sales in this market were promising, by the end of 1996 we were unable to establish consistent sales channels in the consumer marketplace and sales declined. In late 1996, we relocated our production facilities to Mexico to reduce production costs.

In 1997, we introduced our second product line, the AUTO TASER. The initial market response to the AUTO TASER suggested the demand for this product would more than compensate for the declining AIR TASER sales. Because of strong pressure from pre-production orders, we accelerated the development of the AUTO TASER. As a result of this acceleration, production costs of the AUTO TASER far exceeded initial projections, and we experienced a substantial amount of AUTO TASER returns due to product defects.

The non-compete agreement that had precluded sales to the law enforcement and military markets expired in 1998. During this year, we focused our development efforts on the ADVANCED TASER product line, a redesigned and enhanced version of the AIR TASER, targeted primarily to the U.S. law enforcement and corrections market. During 1998, in addition to $66,000 paid to outside research and development consultants, we also incurred substantial internal unallocated expenses associated with the development of the ADVANCED TASER. Further, end-user sales of the AUTO TASER continued to decline, and product returns remained higher than expectations.

In August 1999, the AUTO TASER product line was discontinued and we closed our production facility in Mexico. We sold all remaining finished goods associated with the AUTO TASER product line by the end of the first quarter of 2000. Following closure of our Mexican facility, we outsourced the production of the AIR TASER and certain non-proprietary assemblies to a third-party assembler. We shifted our focus to completion of the ADVANCED TASER development project and introduced the first ADVANCED TASER units for sale to law enforcement customers in December 1999. As a result of these activities and product development expenses, we had accumulated a deficit of $6.3 million by December 31, 1999.

The first full year of the ADVANCED TASER product line sales was 2000. We spent the year focusing on building the distribution channel for marketing the product line and developing a nationwide training campaign to introduce the product line to law enforcement agencies, primarily in North America.

In the first quarter of 2001, we discontinued the outsourcing of the final assembly of our products and moved such final assembly to our facility in Scottsdale, Arizona. As a result of this change, we anticipate

that our direct labor costs will represent a larger portion of our total costs of products sold, but that our total costs of products sold, including direct material and labor and overhead costs, will be slightly lower as a percentage of our net sales in 2001.

Results of Operations

Years ended December 31, 1999 and 2000

The following table shows the percentage of total revenues represented by selected items included in our statements of operations:

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	Year Ended December 31,	
	1999	**2000**
Net Sales	100%	100%
Less Costs of Products Sold:		
Direct Manufacturing Expense	45.3%	39.6%
Indirect Manufacturing Expense	49.2%	14.3%
Total Cost of Products Sold	94.5%	53.9%
Gross Margin	5.4%	46.1%
Sales, General and Administrative Expense	65.3%	47.3%
Research and Development Expense	2.9%	0.2%
Loss from Operations	(62.8)%	(1.4)%
Interest Expense	12.7%	12.5%
Net Loss	(75.5)%	(13.9)%

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Net sales. Net sales increased $1.2 million, or 54.5%, from $2.2 million for the year ended December 31, 1999 to $3.4 million for the year ended December 31, 2000. The increase was due almost entirely to the first full year of sales of the ADVANCED TASER, primarily to law enforcement agencies. The increase in sales was partially offset by the decline in AUTO TASER sales due to the discontinuation of this product line and somewhat lower sales of the AIR TASER to consumers.

For the years ended December 31, 1999 and 2000, sales by product line were as follows:

Product Line	1999	%	2000	%
ADVANCED TASER (including cartridges and accessories)	$ 80,000	4%	$2,099,000	62%
AIR TASER (including cartridges and accessories)	1,311,000	59%	1,241,000	36%
AUTO TASER (including accessories)	601,000	27%	24,000	1%
Miscellaneous sales (components, freight, services, equipment)	216,000	10%	49,000	1%
Net sales	$2,208,000	100%	$3,413,000	100%

Cost of products sold. Cost of products sold decreased from $2.1 million in 1999, or 94.5% of net sales, to $1.8 million in 2000, or 53.9% of net sales. The decrease in cost of products sold as a percentage of net sales was due primarily to the lower direct production costs associated with the AIR and ADVANCED TASERs, which averaged 29.8% of gross sales as compared to 59.8% of gross sales for the AUTO TASER, and a one-time charge related to the phase out of the AUTO TASER product line of approximately $355,000 in 1999 included in indirect manufacturing expense. In 2001, we anticipate our cost of products sold will decrease as a percentage of net sales due to lower labor costs, greater labor productivity, lower materials cost and greater operating control, all in connection with the transfer of our product assembly operations from Mexico to the United States.

For the two years ended December 31, 2000, our principal product costs included the following:

- Direct materials: For the first eight months of 1999, direct materials included raw materials as well as supplies used in production. From September 1999 through February 2001, direct materials included our purchase price of finished goods from our contract manufacturer and raw materials. Direct materials represented the majority of our direct manufacturing expense.

- Direct labor: Direct labor represented the expenses incurred in our Scottsdale, Arizona facility for the assembly and packaging of sub-assemblies. Once finished, these sub-assemblies were transferred to our contract manufacturer for insertion into our finished products. In the first eight months of 1999, direct labor included wages paid to employees in our Mexican production facility.

- Shipping expense: Shipping expense included those costs associated with shipping finished products to our customers. These costs included freight paid to ship orders, special handling charges and related transaction fees.

- Indirect manufacturing expense: Indirect manufacturing expense included the indirect costs associated with producing our products, such as rent on production facilities, depreciation on production equipment and tooling, engineering and support salaries and other indirect manufacturing costs.

In 2001, our product cost structure will be significantly different than in 1999 and 2000 primarily due to the discontinuation of our use of our contract assembler. Specifically, our cost of direct materials will include only the cost of components and supplies required to manufacture our finished goods. Our direct labor and manufacturing costs will continue to be allocated to cost of products sold, but should be lower than in 2000 due to the consolidation of our product manufacturing and assembly operations at our new facility in Scottsdale, Arizona.

Gross margin. Gross margin increased $1.5 million, or 1211.8%, from $120,000 in 1999 to $1.6 million in 2000. Our gross profit margin was 5.4% of net sales in 1999 compared to 46.1% in 2000 due to increased sales of higher margin ADVANCED TASER products and the one-time write off of $355,000 taken in 1999 as a result of the phase out of the AUTO TASER. We anticipate our gross margin will increase to approximately 60% of net sales in 2001 primarily due to increased sales of higher margin ADVANCED TASER products, partially offset by relocation costs associated with the transfer of our product assembly operations from Mexico to the United States.

Sales, general and administrative expenses. Sales, general and administrative expenses increased by $171,000, or 11.9%, from $1.4 million in 1999 to $1.6 million in 2000. Sales, general and administrative expenses were 65.3% of net sales in 1999 compared to 47.3% of net sales in 2000. These costs increased to support the sales of the ADVANCED TASER and include sales commissions and product demonstration costs. However, sales, general and administrative expenses declined as a percentage of sales in 2000 due to the fixed nature of certain of these costs and increased gross margins attributable to the ADVANCED TASER product line.
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Interest expense. Interest expense increased by $146,000, or 52.3%, from $280,000 in 1999 to $426,000 in 2000. The increase reflects the cost of the higher level of related party debt in 2000 over 1999, primarily used to fund working capital. In addition, we issued warrants and options in 2000 valued at $93,907 to certain stockholders in return for providing loans to us.
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Corporate tax status. Prior to our reincorporation in Delaware in February 2001, we were an S-corporation, which allowed all the tax attributes to flow through to the stockholders. In February 2001, we changed our tax reporting status to that of a C-corporation. When we changed our reporting status, our accumulated shareholder deficit was converted to additional paid-in capital. As a result, there are also no net operating loss carry forwards available to us.
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Net loss. Our net loss decreased $1.2 million, or 71.6%, from $1.7 million in 1999 to $473,000 in 2000. Basic and diluted net loss per common share was $0.54 in 1999 compared to $0.19 in 2000. The
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reduced net loss in 2000 resulted primarily from increased sales volume and increased gross margins attributable to sales of the ADVANCED TASER line.

Liquidity and Capital Resources

We have sustained significant operating losses since our inception. In 1999 and 2000, we financed our operations through advances from and investments by major stockholders, and bank financing guaranteed by major stockholders.

Liquidity. We had a working capital deficiency of $2.4 million at December 31, 1999 and $1.0 million at December 31, 2000. The improvement in working capital from 1999 to 2000 was largely due to the extension of short-term related party debt in 1999 to long-term debt in 2000. In both 1999 and 2000, cash was used primarily to fund operating losses and for investment in property and equipment.
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In 2000 we generated cash from operations of $8,000, primarily as a result of a significant customer deposit of $440,000 received in December 2000. In 1999, operations consumed $704,000 in cash. We have not historically generated sufficient cash from operations to fund future growth or to repay our long-term debt that principally comes due July 1, 2002. However, we anticipate that our cash flow from operations will be at least break-even in 2001 because we expect our sales will increase and our cost of products sold will decrease as a percentage of our total revenues, generating both positive cash flow and net income. We believe that, with anticipated cash flow from operations for 2001 and the completion of this offering, our cash resources will be adequate to meet our expected future liquidity needs for approximately the next two years.
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Capital resources. We have funded our operating deficits primarily through loans from two major stockholders, Phillips Smith and Bruce Culver. Our indebtedness to these stockholders totaled $2.9 million at December 31, 2000. $1.3 million of this debt matures in July 2002 and bears interest at a rate of 10%.
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In the event this offering is not completed, we have an agreement with Messrs. Smith and Culver whereby we may extend the maturity date of their outstanding notes for a period not to exceed 24 months. We also may retire the debt at any time without penalty. In addition, Mr. Culver has established a non-revocable letter of credit in the amount of $500,000 on our behalf that we can use to fund any shortfalls in our monthly capital requirements. This letter of credit expires on the earlier of the closing of this offering or December 31, 2001.
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Subsequent to December 31, 2000, an unrelated private lender loaned us $500,000 to fund working capital. The related promissory note carries interest at 18% and matures at the earlier of the completion of this offering or July 2002. In return for his loan, we granted him 5,000 ten-year warrants with an exercise price of $10 per share. The fair value of these warrants is approximately $9,600.
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Also subsequent to December 31, 2000, we obtained a revolving line of credit with a bank with a total commitment of up to $1.5 million. The line was fully used to repay a $1.5 million promissory note to Bruce Culver, is secured by assets of Mr. Culver and substantially all of our assets other than our intellectual property, and has an interest rate of bank prime plus 1%. The line matures on April 30, 2002 and requires us to make monthly interest payments until such date.
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Capital commitments. At December 31, 2000, we had no material commitments for capital expenditures. Other commitments include rental payments under operating leases for office space and equipment, and commitments under employment contracts with our chief executive officer, president, and chief financial officer.

BUSINESS

Company overview

We develop, assemble and market less-lethal, conducted energy weapons primarily for use in the law enforcement and corrections market. Over 400 police departments in the United States have made initial purchases of our products and 15 police departments, including San Diego, Sacramento, and Albuquerque, have purchased our products for every patrol officer. As of February 1, 2001, more than 200 additional police departments were evaluating our newest product, the ADVANCED TASER.

We sell two principal products. We introduced the AIR TASER in 1994 and targeted it primarily at the consumer market. We designed the AIR TASER to look like a cellular telephone or other consumer electronic item, rather than a weapon. The terms of an agreement we signed with Electronic Medical Laboratories, Inc., doing business as Tasertron, the original licensee of a patent on certain technology used in our weapons, precluded us from selling our products to United States law enforcement, corrections and military agencies until February 1998. After expiration of this agreement, we introduced the ADVANCED TASER, an upgraded and redesigned version of the AIR TASER, to appeal to the law enforcement and corrections market. It uses the same basic operating principle as the AIR TASER but produces four times the AIR TASER's power output. It is also pistol-shaped to make it easier for police officers to use. The ADVANCED TASER can be sold with an integrated laser sight and a built-in memory option to record the time and date of up to 585 firings. We believe the ADVANCED TASER will also appeal to the private security, military and consumer markets, and intend to pursue sales in these markets after further penetrating the law enforcement and corrections market.

Industry background

The market for less-lethal weapons includes law enforcement agencies, correctional facilities, military agencies, private security guard companies and retail consumers. We believe law enforcement officials are the opinion leaders regarding market acceptance of new security products. In recent years, successful new security products — such as the GLOCK handgun and the Mag-Lite flashlight — were first marketed to and accepted by police departments. We therefore focus on the law enforcement agency segment of the market for less-lethal weapons.
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According to a 1997 report issued by a unit of the United States Department of Justice, nearly all local police departments and all federal law enforcement agencies have a use-of-force policy that dictates the level of force its officers can use to respond to various situations. A police officer is trained to use only the minimum force necessary to overcome the threat of injury or violence posed by a suspect. For example, under most policies, an officer may not use lethal force unless a subject poses a threat of significant bodily injury or fatality to the officer or other persons.
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In fact, studies by the Associated Press have concluded that most police officers never deploy lethal force in the course of their careers. While the vast majority of law enforcement officers around the world are armed with firearms, only a small percentage will actually ever use them. A 1996 study jointly published by the United States Department of Justice and the National Institute of Justice, however, indicates that police officers use less-lethal force on a regular basis. Less-lethal force can range from a control hold to the use of a baton, chemical spray, or other means to control a subject that is actively resisting the officer.
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Police officers are often injured while trying to subdue a suspect with less-lethal force. Traditional tactics such as using a baton or fist to control a suspect result not only in a significant risk of injury to the suspect, but also a significant risk that the officer will be injured. If an officer can subdue a suspect from a safe distance using effective less-lethal weapons, he greatly reduces the probability that he or the suspect, as well as bystanders, will be injured during a confrontation.

A variety of new less-lethal weapons have been developed to address the need to temporarily incapacitate an attacker without causing permanent injury or fatality. These weapons vary in approach, but

generally include stun guns, batons and clubs, chemical sprays, rubber bullets, pepper balls and other impact munitions. Each weapon has distinct advantages and disadvantages, and law enforcement agencies require different tools for different situations. We believe that the following characteristics of less-lethal weapons are the most important to law enforcement agencies:

- *Effectiveness: temporary incapacitation of aggressive suspects;*
- *Range: variable distance over which the weapon is effective;*
- *Safety: low risk of injury or death;*
- *Ease of use: simple operation, low maintenance and no contamination;*
- *Dependability: reliability in many environments, product durability;*
- *Accountability: tracking to reduce misuse of the weapon; and*
- *Cost: low cost per use and possible reduction of litigation expense.*

The ADVANCED TASER solution

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All our products are designed to perform well in terms of the above characteristics. We believe the ADVANCED TASER, however, offers the best combination of these characteristics currently available in a less-lethal weapon. In our opinion, this superior performance could make the ADVANCED TASER the less-lethal weapon of choice in many situations for law enforcement agencies and other security services.

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- *Effectiveness*

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Most less-lethal weapons rely upon a pain response for effect. A less-lethal weapon that inflicts only pain may not stop the most dangerous and aggressive suspects. The ADVANCED TASER is designed to cause complete yet temporary physical incapacitation, not just discomfort or distraction. In volunteer testing and field use, the ADVANCED TASER has incapacitated even highly focused individuals who have demonstrated the ability to fight through other less-lethal weapons that rely only on pain.

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- *Range*

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Batons and chemical sprays can only be used from close distances, usually less than five feet. Rubber bullets, beanbag rounds, and similar less-lethal impact weapons must be used at distances greater than 30 feet to minimize suspects' injuries. Therefore, we believe that other less-lethal weapons as a group are generally ineffective between five and thirty feet. The ADVANCED TASER is designed to operate within this range. Since it is equally effective between zero and five feet, we believe the ADVANCED TASER represents a more versatile less-lethal weapon for encounters taking place within 21 feet.

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- *Safety*

In tests involving over 1,000 human volunteers and in hundreds of field applications, the ADVANCED TASER has had no reported long-term, adverse after-effects. In field uses, our technology has been found to have a comparable or lower risk of injury to officers and suspects than other less-lethal technologies. Further, the recovery time from an application of the ADVANCED TASER is generally less than one minute. In contrast, recovery time from the application of chemical sprays can range from ten minutes to one hour. Recovery time from the effect of impact rounds can vary from hours to weeks, depending on bruising and bone breakage.

- *Ease of Use*

The ADVANCED TASER is shaped and designed to function like a standard handgun. Accordingly, it is easy for law enforcement officers to use during stressful situations, since their firearms training familiarizes them with the muscle movements required for its operation. It can be reloaded and fired again as quickly as a spent cartridge can be removed and a replacement cartridge inserted, typically in less than five seconds. Further, the weapon requires no maintenance other than a periodic battery check. The

ADVANCED TASER also does not leave contaminating residues, unlike chemical sprays that may contaminate buildings, vehicles or other closed facilities or officer uniforms.

• *Dependability*

The ADVANCED TASER operates effectively under a variety of unfavorable conditions, such as wind and rain, that render chemical sprays less effective. The ADVANCED TASER housing is constructed of high tensile-strength polycarbonate to withstand the rigors of typical police use.

• *Accountability*

The ADVANCED TASER incorporates features designed to reduce inappropriate use. Our cartridges contain numerous confetti-like Anti-Felon Identification tags, or AFIDs, which are scattered when the unit is fired. AFID tags recovered from usage sites can thus help identify the owner of the cartridge used. The ADVANCED TASER we market to law enforcement and corrections agencies also comes with a data port that records the exact time, date and duration of up to 585 firings.

• *Cost*

The ADVANCED TASER is sold to law enforcement agencies for approximately $400 per unit. The air cartridge ammunition is priced under $18 per shot. These prices are competitive with impact munitions and most other specialized less-lethal weapons, with the exception of the least expensive chemical sprays. However, the indirect costs of decontaminating buildings, vehicles, and uniforms resulting from the use of chemical sprays can place the ADVANCED TASER at an overall cost advantage per use.

In addition, litigation costs for law enforcement agencies can be significant. Reducing the number of injuries and fatalities caused by law enforcement officers may reduce the number of suits filed against agencies for excessive use of force, wrongful death and injury. Further, reducing officer injuries minimizes medical claims and lost time for work-related injuries.
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As with other less-lethal weapons, we believe that these characteristics, particularly safety, may also have the benefit of increasing goodwill between law enforcement agencies and their communities. Community relations considerations can be particularly important at a time when almost any interaction with police can be videotaped and scrutinized by the media and the public.
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Our strategy

Key elements of our strategy for growth include the following:

• *Fully exploit the expanding law enforcement and corrections market.*

Our goal is to make the ADVANCED TASER the dominant less-lethal weapon for use by law enforcement and corrections agencies. Law enforcement officials are often viewed as experts with regard to weapons and other security products. As a result, we believe that widespread acceptance of the ADVANCED TASER in this market will enhance its credibility and represent a necessary first step toward expanding sales of our products in additional markets.

• *Expand into private security, military, and consumer markets.*

After increasing our presence in the law enforcement and corrections market, we intend to expand our penetration in the private security, military and consumer self-defense markets. We believe the same performance characteristics that will enable our products to succeed in the law enforcement and corrections market will also appeal to potential customers in these additional markets.

• *Develop enhanced less-lethal weapon technologies.*

We intend to improve our less-lethal weapons technology to provide further growth and market opportunities. Among other things, we intend to develop multiple shot capability and greater effective range. These innovations may increase our revenues by allowing us to sell upgraded less-lethal weapons and accessories, both to existing and potential new customers.

• *Acquire businesses that enhance our strategic position.*

We may acquire businesses that will complement our growth strategy and enhance our competitive position in our markets. However, we have no current plans for such acquisitions.

Markets

Law enforcement and corrections
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Federal, state and local law enforcement agencies in the United States currently represent the primary target market for the ADVANCED TASER. According to United States Bureau of Justice statistics, there were nearly 19,000 of these agencies in the United States in 1996 that employed about 740,000 full-time, sworn law enforcement officers. In 1999, the United States Bureau of the Census estimated that there were more than 450,000 correctional officers in the United States.
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Acceptance of the ADVANCED TASER by United States police departments has been fairly rapid since its introduction in December 1999. We believe it could prove equally suitable for use in correctional facilities. The ADVANCED TASER is particularly useful in these confined and crowded settings since it provides a means of bringing virtually any individual under control without requiring the use of lethal force. We anticipate that some correctional officers will be armed with ADVANCED TASERs, particularly as its performance attributes become more familiar to the wider law enforcement community.

In the law enforcement market, over 400 police departments have made initial purchases of the ADVANCED TASER for testing or deployment. In addition, 15 police departments, including San Diego, Sacramento, and Albuquerque, purchased enough of our weapons to issue one to each of their patrol officers.

Private security firms and guard services

A report of the Security Industry Association for 1999-2000 estimated that there were over 1.7 million privately employed security guards or personnel in the United States. They represent a broad range of individuals, including bodyguards, commercial and government building security guards, commercial money carrier employees, and many others. We believe that security personnel armed with ADVANCED TASERs could be as effective in many circumstances as those armed with conventional firearms. At the same time, arming guards with ADVANCED TASERs may reduce the potential liability of private security companies and personnel.

A number of environments can prove problematic for the use of conventional firearms. The use of conventional firearms in airplanes, for example, poses a significant threat to the integrity of the aircraft and the safety of the passengers. Conventional firearms may also be inappropriate in subways, buses, transit systems, banks and casinos. In many of these crowded environments, the contamination associated with the use of chemical sprays could also pose significant problems.

One large private security force overseas has ordered over 1,000 ADVANCED TASERs for delivery in Spring 2001. We are in the early stage of pursuing additional opportunities for sales of the ADVANCED TASER in private security markets, and have made only limited sales to date.

Consumer/personal protection
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A 1997 survey sponsored by the National Institute of Justice found that, in 1994, 44 million Americans owned 192 million firearms, 65 million of which were handguns. We believe these handgun owners represent one segment of a potentially large consumer market for our products.
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As a result of our shift in focus, the share of our sales made to consumer markets fell sharply from 1999 to 2000. In 1999, sales to consumers represented 88% of total sales while these sales dropped to only 32% of total sales in 2000. We expect the relative share of sales to consumer markets to remain small in the next few years. Given the size of the potential consumer market, however, we believe consumer sales

could contribute a substantial portion of our revenues in the future, particularly if the ADVANCED TASER becomes more established in the law enforcement and corrections market.

Military

Military police forces may use the ADVANCED TASER for purposes similar to those of civilian police units. Military peace-keeping forces also perform policing functions, and the ADVANCED TASER may prove an effective tool for these operations. The ADVANCED TASER may also be used by armed forces to reduce the possibility of civilian casualties resulting from combat operations on battlefields consisting of both civilians and combatants. We have yet to pursue sales opportunities in the military market.

Products

Our weapons use compressed nitrogen to shoot two small electrified probes up to a maximum distance of 21 feet. The probes and compressed nitrogen are stored in a replaceable cartridge attached to the base of the weapon. Our proprietary replacement cartridges are sold separately.
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After firing, the probes discharged from our cartridges remain connected to the weapon by high-voltage insulated wires that transmit electrical pulses into the target. These electrical pulses, which we call TASER-Waves or T-Waves, are transmitted through the body's nerves in a manner similar to the transmission of signals used by the brain to communicate with the body. The T-Waves temporarily overwhelm the normal electrical signals within the body's nerve fibers, impairing subjects' ability to control their bodies or perform coordinated actions. T-Waves can penetrate up to two inches of clothing and up to a class 3 bullet resistant vest, the second most protective of seven classes of bullet resistant vests. The initial effect lasts up to five seconds and the charge can be repeated for up to approximately ten minutes by repeatedly firing the weapon.
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Since all our weapons use the same cartridges, we can support multiple platforms and still achieve economies of scale in cartridge production. Our cartridges contain numerous colored, confetti-like tags bearing the cartridge's serial number. These tags, referred to as Anti-Felon Identification tags, or AFIDs, are scattered when one of our weapons is fired. We require sellers of our products to participate in the AFID program by registering buyers of our cartridges. In many cases, we can use AFIDs to identify the registered owner of cartridges fired.

We introduced our initial product, the AIR TASER, in 1994. We designed the AIR TASER to look like a cellular telephone rather than a weapon to target the consumer electronics market. Currently, the AIR TASER product line consists of the AIR TASER, a cartridge that shoots two small electrified probes up to 15 feet, an optional laser sight, and a number of holstering accessories. We continue to target the AIR TASER line to the consumer market.

We developed the ADVANCED TASER product line, launched in December 1999, primarily for the law enforcement and corrections market. The ADVANCED TASER M26 is our primary product in this market and is sold exclusively to law enforcement and corrections agencies. The ADVANCED TASER M26 offers the following improvements over the AIR TASER:

- Increased effectiveness: the ADVANCED TASER has four times the power of the AIR TASER and has proven effective in incapacitating over 99% of volunteers tested.

- Better accountability: the ADVANCED TASER's memory system records the time, date, and duration of up to 585 firings. By downloading this information periodically, law enforcement and corrections agencies can track every use of the ADVANCED TASER. These agencies can use this data to investigate potential misuse.

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- Ease of use: law enforcement and corrections officers have reported to us that the ADVANCED TASER's familiar pistol shape and integrated laser sight minimize the training required for officers and make it easier to use.
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Our products are sold primarily through our network of distributors at a wide range of prices. Our most inexpensive consumer product is the entry-level consumer AIR TASER, with a retail price of $99. Our high-end consumer model, the ADVANCED TASER M18L with integrated laser sight, retails for $600. The ADVANCED TASER M26 is currently our best selling item. Distributors sell the M26 to law enforcement and corrections agencies for $400. Retail cartridge prices range from $16 to $30 per unit.

In addition to weapons and cartridges, we sell holsters, attachments, cases and other accessories that complement our core products. Although to date these accessories have generated limited sales, they offer additional revenue opportunities and attractive margins.

We offer a lifetime warranty on the AIR TASER. Under this warranty, we will replace any AIR TASER that fails to operate properly for a $25 fee. The AIR TASER is designed to disable an attacker for up to 30 seconds, and we encourage users to leave the unit and flee after firing it. As a result, we also provide free replacement units to consumers who follow this suggested procedure. To qualify for the replacement unit, users must file a police report that describes the incident and confirms the use of the AIR TASER. Historically, approximately 2% of the AIR TASERs sold by us have been returned by end users in connection with a warranty claim. Warranty costs under the AIR TASER replacement policy have been minimal to date.

We offer a no-questions-asked lifetime replacement policy on the ADVANCED TASER. If the weapon fails to operate properly for any reason, we will replace it for a fee of $25. The fee is intended to help defray the handling and repair costs associated with product returns. This policy is attractive to our law enforcement and corrections agency customers. In particular, it avoids disputes regarding the source or cause of any defect. Due to our recent introduction of the ADVANCED TASER, we have created a reserve for product returns based on a 7% return rate. In 2000, we recalled a series of ADVANCED TASERs due to a defective component in connection with which we incurred expenses of approximately $9,000 and recorded an additional charge of approximately $41,000 to account for related future expenses.

Sales and marketing

Law enforcement and corrections agencies represent our primary target market. In this market, the decision to purchase the ADVANCED TASER is normally made by a group of people including the agency head, his training staff, and weapons experts. The decision sometimes involves political decision-makers such as city council members. The decision-making process can take as little as a few weeks or as long as several years.

United States distribution. With the exception of several accounts to which we sell directly, the vast majority of our law enforcement agency sales in the United States occur through our network of more than 25 independent regional police equipment distributors. To service these distributors and assist us in expanding sales to new ones, we retain two manufacturer's representatives that call on potential distributors. We compensate our manufacturer's representatives solely on a commission basis, calculated as a percentage of the sales they complete. Sales in the consumer market are made through different independent distributors, dealers, and retailers. We provide our distributors with performance-based incentive programs.

International distribution. As a result of our shift in focus to the United States law enforcement and corrections market, our international sales efforts are currently limited to presentations and training seminars conducted by TASER personnel. We recently began introducing the ADVANCED TASER in Europe and parts of the Middle East, South America and Asia, but have yet to devote significant resources to these markets. Sales outside the United States and Canada accounted for 48% and 18% of total revenues in 1999 and 2000, respectively. In 2001, we expect international sales to account for approximately 10% of our total sales.

We have worked in the past with more than 20 foreign distributors. These foreign distributors purchase products from us and resell them to sub-distributors, retail dealers or end users. We continue to

provide most foreign distributors with short-term exclusive contracts to sell our products in a designated region. Although many of these relationships are inactive, we continue to ship products as ordered.

Training Programs. Most law enforcement and corrections agencies will not purchase new weapons until a training program is in place to certify all officers in their proper use. We offer an eight-hour class that certifies law enforcement and corrections agency trainers as instructors in the use of the ADVANCED TASER. We have certified over 2,500 law enforcement training officers as ADVANCED TASER instructors. Our certification program is designed to make it easier for departments to comply with these training requirements.

Fifty of our certified instructors have undergone further training and become certified as master instructors. We authorize these individuals to train other law enforcement and corrections agency trainers, not just end-users within these organizations. Twenty-five of our master instructors have agreed to conduct ADVANCED TASER training classes on a regular basis. These instructors independently organize and promote their own training sessions, and we provide them with logistical support. They are independent professional trainers, serve as local area TASER experts, and assist our distributors in conducting TASER demonstrations at other police departments within their regions. Through the end of 2000, we did not charge for attendance at these classes but now charge $195 per attendee. We pay master instructors a per-session training fee and a share of the attendance fees collected at each session that they conduct. These training sessions have led directly to the sale of ADVANCED TASERs to a number of police departments.

Communications. In addition to our training programs, we regularly participate in a variety of trade shows and conferences. Our marketing efforts also benefit from significant free news coverage. Other marketing communications include video e-mails, press releases, and conventional print advertising in law enforcement trade publications. Our website also contains similar marketing information.

Manufacturing
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We have installed a new production line in our facility in Scottsdale, Arizona, where we have historically assembled the compressed nitrogen containers used in our air cartridges. After a review of our operating costs and changes in regulations pertaining to the export of the technology used to produce our weapons, we elected to move assembly operations from our subcontractor in Guaymas, Mexico to our new facility in Scottsdale. We own all of the additional production equipment used for the final assembly of our products in the Guaymas facility, and expect to move it to Scottsdale no later than May 2001.
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Our Scottsdale facility has approximately 6,000 square feet of assembly and warehouse space. We plan to employ between 15 and 25 assembly personnel by the end of 2001. After the move, our production capabilities will support the assembly of 2,000 ADVANCED TASERs, 1,000 AIR TASERs, and 24,000 cartridges per month on a single shift. We can expand our production capabilities by adding additional personnel and a second shift with negligible new investment in tooling and equipment. We expect our Scottsdale facility and tooling to be sufficient to support our current growth projections at least through 2003.
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We currently purchase finished circuit boards from First Electronics, Inc. and injection-molded plastic components from Frontier Tool & Mold, Inc., each located in Phoenix. Although we currently obtain these components from single source suppliers, we own the injection-molded component tooling used in their production. As a result, we believe we could obtain alternative suppliers without incurring significant production delays. We also purchase small machined parts from Asia Sourcing of Taiwan, China, and custom cartridge assemblies from McDavis Company of Arizona City, Arizona. We believe that these or readily available alternative suppliers can consistently meet our needs for these components. We acquire most of our components on a purchase order basis and do not have long-term contracts with suppliers. We believe that our relations with our suppliers are good.
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Competition

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In the law enforcement and corrections market, the ADVANCED TASER competes directly with the conducted energy weapon sold by Electronic Medical Research Laboratories, Inc., doing business as Tasertron. Tasertron is the sole remaining manufacturer of the original TASER weapon introduced in the 1970s. At March 31, 2001, over 430 police departments had purchased, in the aggregate, over 4,000 ADVANCED TASERs. We believe that approximately 400 police departments actively deploy the Tasertron weapon.
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We believe The ADVANCED TASER also competes indirectly with a variety of other less lethal alternatives. In the consumer market, the AIR TASER competes directly with a conducted energy weapon introduced by Bestex, Inc. in 1996, called the Dual-Defense, and indirectly with other less-lethal alternatives.
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Law enforcement and corrections market. Tasertron had an exclusive license to sell TASER products in the North American law enforcement and corrections market until February 1998. Compared to the Tasertron unit, our ADVANCED TASER offers reduced size, additional power, and a more convenient pistol-shaped design. We believe agencies choosing to employ a conducted energy weapon will prefer to adopt a single weapon system. Since its introduction, the ADVANCED TASER has competed successfully against the Tasertron unit, even in agencies that had previously purchased Tasertron units.

Other less-lethal weapons, sold by companies such as Armor Holdings, Inc. and Jaycor, Inc., compete with our ADVANCED TASER indirectly. Many law enforcement and corrections personnel consider less-lethal weapons to be distinct tools, each best-suited to a particular set of circumstances. Consistent with this tool kit approach, purchasing any given tool does not preclude the purchase of one or several more. In other cases, budgetary considerations and limited space on officers' belts dictate that only a limited number of less-lethal weapons will be purchased and carried. We believe the ADVANCED TASER's versatility, effectiveness, and low injury rate enable it to compete effectively against other less-lethal alternatives.

Consumer market. Conducted energy weapons have gained limited acceptance in the consumer market for less-lethal weapons. These weapons compete with other less-lethal weapons such as stun guns, batons and clubs, and chemical sprays. The primary competitive factors in the consumer market include a weapon's cost, its effectiveness, and its ease of use. The widespread adoption of the ADVANCED TASER by law enforcement agencies may help us overcome a perceived historic lack of consumer confidence in conducted energy weapons.

Regulation

United States regulation. The AIR TASER and ADVANCED TASER are subject to the same regulations. Neither weapon is considered a "firearm" by the Bureau of Alcohol, Tobacco, and Firearms. Therefore, no firearms-related regulations apply to the sale and distribution of our weapons within the United States. In the 1980s, however, many states introduced regulations restricting the sale and use of stun guns, inexpensive hand-held shock devices. We believe existing stun gun regulations also apply to our weapon systems.

In many cases, the law enforcement and corrections market is subject to different regulations than the consumer market. Where different regulations exist, we assume the regulations affecting the consumer market also apply to the private security market except as the applicable regulations otherwise specifically

provide. Based on a review of current regulations, we have determined the following states regulate the sale and use of our weapon systems:

State	Law Enforcement Use	Consumer Use
Connecticut	Legal	Legal, subject to restrictions
Florida	Legal	Legal, subject to restrictions
Hawaii	Prohibited	Prohibited
Illinois	Legal	Legal, subject to restrictions
Indiana	Legal	Legal, subject to restrictions
Massachusetts	Legal	Prohibited
Michigan	Prohibited (except for evaluation)	Prohibited
New Jersey	Prohibited	Prohibited
New York	Legal	Prohibited
North Carolina	Legal	Legal, subject to restrictions
North Dakota	Legal	Legal, subject to restrictions
Rhode Island	Prohibited	Prohibited
Washington	Legal	Legal, subject to restrictions
Wisconsin	Legal	Prohibited

The following cities and counties also regulate our weapon systems:

City	Law Enforcement Use	Consumer Use
Annapolis	Legal	Prohibited
Baltimore	Legal	Prohibited
Chicago	Legal	Prohibited
Howard County, MD	Legal	Prohibited
Lynn County, OH	Legal	Legal, subject to restrictions
New York City	Legal	Prohibited
Philadelphia	Legal	Prohibited
Washington, D.C.	Legal	Prohibited

United States export regulation. Our weapon systems are considered a crime control product by the United States Department of Commerce. Accordingly, the export of our weapon systems is regulated under export administration regulations. As a result, we must obtain export licenses from the Department of Commerce for all shipments to foreign countries other than Canada. Most of our requests for export licenses have been granted, and the need to obtain these licenses has not caused a material delay in our shipments. The need to obtain licenses, however, has limited or impeded our ability to ship to certain foreign markets. In addition, export regulations prohibit the further shipment of our products from foreign markets in which we hold an export license for the products to foreign markets in which we do not hold an export license for the products.

In addition, in the fall of 2000, the Department of Commerce introduced new regulations restricting the export of the technology used in our weapon systems. These regulations apply to both the technology incorporated in our weapon systems and in the processes used to produce them. The technology export regulations do not apply to production that takes place within the United States. After moving our final assembly to our Scottsdale facility, these technology export regulations will no longer apply to us but will still apply to certain of our suppliers located outside of the United States.

Foreign regulation. Foreign regulations are numerous and often unclear. We prefer to work with an exclusive distributor who is familiar with applicable regulations in each of our foreign markets. Experience with foreign distributors in the past indicates that restrictions may prohibit certain sales of our products in a number of countries. The countries in which we are aware of restrictions include Belgium, Denmark, Hong Kong, Italy, Japan, New Zealand, Norway, Sweden, Switzerland, and the United Kingdom. In

Australia, Canada, and India, we are also aware that sales of our products are permitted to law enforcement and corrections agencies but prohibited to consumers.

Intellectual property

We protect our intellectual property with a variety of patents and trademarks. In addition, we use confidentiality agreements with employees and some suppliers to ensure the safety of our trade secrets. We hold a United States patent on the construction of the gas cylinder used to store the compressed nitrogen in our cartridges. This patent expires in 2015. We and two other companies are the only licensees for use in electronic weapons of the technology described in a United States patent held by John H. Cover, Jr. The licenses held by the other licensees may not be transferred and their rights under the licenses may not be expanded or modified without our approval. Mr. Cover's patent covers the process by which compressed gases launch the probes in our cartridges and expires in 2009.

Using this compressed gas technology instead of gunpowder prevents our products from being classified as firearms by the Bureau of Alcohol, Tobacco and Firearms. We also have a broad-based patent application pending covering the energy wave form we developed for the ADVANCED TASER.

We own the AIR TASER and TASER registered trademarks. We also have several unregistered trademarks.
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In early April 2001, James F. McNulty, Jr. sued us in the United States District Court, Central District of California. The lawsuit alleges that certain technology used in the firing mechanism for our weapons infringes upon a patent for which Mr. McNulty holds a license, and seeks injunctive relief and unspecified monetary damages. We believe we do not infringe this patent, that Mr. McNulty's claims are without merit and that the litigation will have no material adverse effect on our business, operating results or financial condition.
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Research and development

Our research and development initiatives are led by our internal personnel and make use of specialized consultants when necessary. These initiatives include bio-medical research as well as electrical and mechanical engineering design. Future development projects will focus on reducing the size, extending the range, and improving the functionality of our weapons. Total research and development expenditures were $64,000 in 1999 and $7,100 in 2000.

Employees

As of December 31, 2000, we had 16 full-time employees. Six employees were involved in sales, marketing and training. Two were employed in research, development and engineering. We also employed four administrative personnel and four in production support. Our employees are not covered by any collective bargaining agreement, and we have never experienced a work stoppage. We believe that our relations with our employees are good.

Facilities

We conduct our operations from a modern 11,800-square-foot facility located in Scottsdale, Arizona. The monthly rent for this facility is approximately $11,000. Our lease expires on January 1, 2006. We believe this facility will meet our needs for the next three years and that additional space will be available on reasonable terms upon the expiration of our current lease or if we require additional space.

Legal proceedings
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In February 2000, Thomas N. Hennigan, a distributor of our products from late 1997 through early 2000 sued us in the United States District Court, Southern District of New York. Mr. Hennigan claims the exclusive right to sell our products to many of the largest law enforcement, corrections, and military agencies in the United States. He seeks monetary damages in the aggregate amount of $400 million
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against us and certain of our officers allegedly arising in connection with his service to us as a distributor on theories of our failure to pay commissions, breach of contract, interference with contract, and on related theories. We signed no contracts with Mr. Hennigan. We also believe that he has no reasonable basis for claims to informal or implied contractual rights. As a result, we believe his claims are without merit, and the litigation will have no material adverse affect on our business, operating results or financial condition. Mr. Hennigan's suit was dismissed in February 2001 for lack of personal jurisdiction of the New York court. In March 2001, he appealed the dismissal.
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Corporate information

We were incorporated in Arizona in September 1993 as ICER Corporation. We changed our name to AIR TASER, Inc. in December 1993, and to TASER International, Incorporated in April 1998. In February 2001, we reincorporated in Delaware as TASER International, Inc.

MANAGEMENT

Directors and executive officers

Our directors and executive officers are as follows:

Name	Age	Position
Phillips W. Smith	63	Chairman
Patrick W. Smith	30	Chief Executive Officer and Director
Thomas P. Smith	33	President and Director
Bruce R. Culver	55	Director
Matthew R. McBrady	30	Director
Karl F. Walter	54	Director
Kathleen C. Hanrahan	37	Chief Financial Officer

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Phillips W. Smith is the chairman of our board of directors. Dr. Smith has served as a director since 1993. Since August 1997, Dr. Smith has served on the board of directors of Pentawave, Inc., a developer of cross-media publishing software. Dr. Smith was chairman of the board of Pentawave from January 1999 through October 2000 and its chief executive officer from January through March 1999. From June 1990 to September 1997, Dr. Smith served as the president and chief executive officer of Zycad Corporation, a developer of engineering and manufacturing applications software. Dr. Smith holds a B.S.E. degree from West Point, an M.B.A. degree from Michigan State University, and a Ph.D. in Business Administration from St. Louis University.

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Patrick W. Smith is the chief executive officer and a co-founder of TASER. Mr. Smith has served as our chief executive officer and as a director since 1993. Mr. Smith holds a B.S. degree in Biology and Neurobiology from Harvard University, an M.B.A. degree from the University of Chicago, and a Masters Degree in International Finance from the University of Leuven in Leuven, Belgium.

Thomas P. Smith is the president and a co-founder of TASER. Mr. Smith has served as our president since April 1994 and as a director since 1993. Mr. Smith holds a B.S. degree in Ecology and Evolutionary Biology from the University of Arizona and an M.B.A. degree from Northern Arizona University.

Bruce R. Culver has served as a director of TASER since January 1994. Mr. Culver co-founded Professional Staff, P.L.C., a human resource management company, and has served on its board of directors since April 1990. In March 1993, Mr. Culver organized and has since remained the chief executive officer of Culver Distributions, Inc., doing business as California Distribution Company, providing warehouse and distribution services to internet companies. Since April 1997, Mr. Culver has served on the board of Pentawave, Inc., becoming its chairman in October 2000.

Matthew R. McBrady has served as a director of TASER since January 2001. From August 1998 though July 1999, Mr. McBrady served as a member of the staff of President Clinton's Council of Economic Advisers. In December 1997, Mr. McBrady began working as a financial and analytical consultant for Avenue A, Inc, an internet marketing company, and served as its vice president of analytics from June 1999 through October 1999. Mr. McBrady taught corporate finance courses at the University of Southern California during the summer terms of 1997 and 1998, at Harvard College from September 1996 through May 1997, and at Harvard Business School during the spring term of 1998. Mr. McBrady holds a B.S. in Economics from Harvard University, an M.S. in International Economics from Oxford University, and expects to receive a Ph.D. in Corporate and International Finance from Harvard University in June 2001.

Karl F. Walter has served as a director of TASER since January 2001. Mr. Walter was a co-founder of Glock, Inc., a subsidiary of GLOCK GmbH, an Austrian semi-automatic pistols manufacturer. From January 1994 through February 1997, Mr. Walter worked as a director of law enforcement sales for Sturm

Ruger Co., a firearms manufacturer. Since March 1997, Mr. Walter has worked as the program manager for AV Technology International, LLC, a builder of armored vehicles.

Kathleen C. Hanrahan is our chief financial officer, serving in that position since November 2000. Ms. Hanrahan first joined TASER in January 1996 as an internal controls consultant and became our controller in March 1996.

Our certificate of incorporation provides that we have no less than three and no more than nine directors divided into three classes (Class 1, Class 2, and Class 3), with members of each class serving for staggered three-year terms. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Messrs. Phillips Smith and Bruce Culver have been designated as Class 1 directors, whose term expires at the 2001 annual meeting; Messrs. Patrick Smith and Karl Walter have been designated as Class 2 directors, whose term expires at the 2002 annual meeting; and Messrs. Thomas Smith and Matthew McBrady have been designated as Class 3 directors, whose term expires at the 2003 annual meeting.

Each officer serves at the discretion of our board of directors. No officer is subject to an agreement that requires the officer to serve TASER for a specified number of years. Mr. Thomas Smith and Mr. Patrick Smith are Dr. Phillips Smith's sons. No other family relationships exist among our directors and executive officers.

Director compensation

Prior to 2001, directors were not compensated for their service on the board. Beginning in 2001, independent directors will receive $1,250 per quarter. In addition, in December 2000, Messrs. McBrady and Walter each received options to purchase 6,667 shares vesting ratably over four years at an exercise price of $3.30 per share. Directors are also reimbursed for expenses incurred in connection with attendance at meetings.

Committees of the board of directors

Our board of directors has an Audit Committee consisting of Mr. McBrady and Mr. Walter, and a Compensation Committee consisting of Mr. Culver and Mr. Walter. The Audit Committee meets with management and our independent public accountants to determine the adequacy of our internal controls and other financial reporting matters. The Compensation Committee reviews and recommends to the board of directors the compensation and benefits of our officers, reviews general policy matters relating to compensation and benefits of our employees and administers the issuance of stock options and discretionary cash bonuses to our officers, employees, directors and consultants. We intend to appoint only independent directors to the Audit and Compensation Committees.

Executive compensation

The following table sets forth information regarding compensation awarded to, earned by or paid to our chief executive officer for all services rendered to us during 1998, 1999 and 2000. None of our executive officers earned in excess of $100,000 in 2000.

Summary Compensation Table

		Annual Compensation		Long Term Compensation
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options (#)
Patrick W. Smith	2000	$65,208	$2,500	—
Chief Executive Officer	1999	$49,161	—	10,000
	1998	$43,205	—	—

Option grants in last fiscal year

We did not grant any options to our chief executive officer during the year ended December 31, 2000.

Fiscal year end option values

The following table sets forth information regarding the number and value of unexercised options held by our chief executive officer on December 31, 2000. He did not exercise any options to purchase common stock during 2000.

	Number of Securities Underlying Options at Fiscal Year End(#)		Value of Unexercised In-the-Money Options at Fiscal Year End($)(1)	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Patrick W. Smith	6,672	3,328	$46,895	$26,505

(1) Based on the estimated fair value of our common stock as of December 31, 2000, determined by our board of directors to be $8.00 per share.

Stock option plans

We have two stock option plans: the 1999 stock option plan and the 2001 stock option plan.

The 1999 stock option plan authorized us to issue options to purchase up to 833,333 shares of our common stock. Under this plan, we have issued options to purchase 143,322 shares at $0.22 to $7.20 per share, including 10,000 options to Patrick W. Smith. We will issue no further options under the plan. The plan is administered by our board of directors. Subject to the provisions of this plan, the board determines who will receive options, the number of options granted, the manner of exercise and the exercise price of the options. The term of incentive stock options granted under the plan may not exceed ten years, or five years for options granted to an optionee owning more than 10% of our voting stock. The exercise price of an incentive stock option granted under this plan must be equal to or greater than the fair market value of the shares of our common stock on the date the option is granted. The exercise price of a non-qualified option granted under this plan must be equal to or greater than 85% of the fair market value of the shares of our common stock on the date the option is granted. An incentive stock option granted to an optionee owning more than 10% of our voting stock must have an exercise price equal to or greater than 110% of the fair market value of our common stock on the date the option is granted.

The 2001 stock option plan authorizes us to issue options to purchase up to 550,000 shares of our common stock. Under this plan, we have granted options to purchase 291,000 shares at an exercise price equal or greater than the value of the common stock portion of the initial per unit public offering price in this offering, including 60,000 options to Patrick W. Smith. The plan is administered by our board of directors. Subject to the provisions of this plan, the board determines who will receive options, the number of options granted, the manner of exercise and the exercise price of the options. The term of incentive stock options granted under the plan may not exceed ten years, or five years for incentive stock options granted to an optionee owning more than 10% of our voting stock. The exercise price of an incentive stock option granted under this plan must be equal to or greater than the fair market value of the shares of our common stock on the date the option is granted. The exercise price of a non-qualified option granted under this plan must be equal to or greater than 85% of the fair market value of the shares of our common stock on the date the option is granted. An incentive stock option granted to an optionee owning more than 10% of our voting stock must have an exercise price equal to or greater than 110% of the fair market value of our common stock on the date the option is granted.

Employment agreements

In July 1998, we entered into an employment agreement with Patrick W. Smith pursuant to which he agreed to serve as our chief executive officer. The agreement is for an initial three-year term ending June 30, 2001, and is automatically renewed for a two-year term on such date and every two years

thereafter unless we give Mr. Smith one-year prior notice of termination, if the termination is without cause. The agreement provides for annual base compensation in the amount of $65,000, which amount may be increased based on performance. In 2000, Mr. Smith's salary was increased to $90,000. We may terminate this agreement with or without cause. Should we terminate the agreement without cause, upon a change of control or upon his death or disability, our chief executive officer is entitled to compensation equal to 12, 24 or 18 months of salary, respectively.

CERTAIN TRANSACTIONS

In 1998, Mr. Bruce R. Culver, a director of TASER, loaned us $622,525. In March 1998, $150,000 of such amount was converted into 20,833 shares of our common stock at an estimated value of $7.20 per share. In December 1998, we issued Mr. Culver a promissory note for $472,525, the remaining amount due. The note bears interest at a rate of 10% per year and matures July 1, 2002.
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In 1999, Mr. Culver loaned us $1,500,000. In return, in April 1999, we issued him a promissory note for $500,000 at an effective interest rate of 27.1% per year to mature October 31, 2000, and 1,666,667 shares of our common stock at a price of $0.60 per share. These shares were subject to a repurchase agreement between Mr. Culver and us that allowed us to repurchase the shares if we met certain operating performance criteria. We met the criteria and repurchased the shares from Mr. Culver in July 2000 in exchange for a promissory note in the amount of $1,000,000. We consolidated this note and the April 1999 note into a new note for $1,500,000 which carried interest at bank prime, which was 9.5% at December 31, 2000, plus 1%. We repaid the new note in full in April 2001 with the proceeds of a loan from a commercial bank.
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In March 1999, Mr. Culver loaned us $100,000, and in July 1999, Mr. Culver loaned us $50,000. The related notes carry interest at a rate of 10% and mature July 2002. In May 2000, Mr. Culver loaned us an additional $200,000 at an interest rate of 10%, due July 1, 2002.
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We have used all amounts loaned to us by Mr. Culver to fund our working capital needs. As of April 30, 2001, the aggregate principal amount due to Mr. Culver under the above notes outstanding on such date was $822,525 plus accrued interest of $166,637. Under certain circumstances, Mr. Culver has agreed to extend the maturity of these notes.
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In September 1999, we sold Mr. Culver 151,515 shares of our common stock for $3.30 per share for an aggregate purchase price of $500,000.

In July 2000, we issued Mr. Culver a warrant to purchase 22,727 shares of our common stock at a price of $3.30 per share in connection with his provision of a $1,500,000 loan to us in such month. These warrants expire July 31, 2005.
<R>

In 1998, Mr. Phillips W. Smith, our chairman, loaned us $725,691 to fund our working capital needs. In March 1998, $150,000 was converted into 20,833 shares of common stock at an estimated fair value of $7.20 per share and $120,000 was repaid. In December 1998, we issued a promissory note for $455,691, the remaining amount due. The note bears interest at a rate of 10% per year and matures July 1, 2002. Further, Mr. Smith has deferred expenses in the amount of $99,794, which has been formalized in a note bearing 10% interest, which matured December 31, 2000. Under certain circumstances, Mr. Smith has agreed to extend the maturity of these notes. As of April 30, 2001, the aggregate principal amount due to Mr. Smith under these notes was $555,485 plus accrued interest of $136,042.
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In the event this offering is not completed, we have an agreement with Mr. Smith and Mr. Culver whereby we may extend the maturity date of their outstanding notes for a period not to exceed 24 months. We may retire the debt at any time without penalty. In addition, Mr. Culver has established a non-revocable letter of credit in the amount of $500,000 on our behalf that we may use to fund any shortfalls in monthly working capital requirements until we can make other financing arrangements, and provided us a related letter of support.

In 1999, Mr. Smith worked as a full-time advisor to us and was compensated solely by a five-year option on 16,667 shares of our common stock with an exercise price of $0.66 per share.

In July 1999, Malcolm W. Sherman, a stockholder, loaned us $75,000 to acquire production equipment. The related note carries interest at 9.18% and matures July 1, 2001. In May 2000, we issued Mr. Sherman an option to purchase 3,333 shares of our common stock at an exercise price of $0.22 per share in connection with his continuing provision of services to us following his retirement as a full-time employee and in consideration of his provision of the loan.

Our board of directors has approved all transactions that we have entered into with related parties. However, until January 2001, we did not have any disinterested, independent directors serving on our board of directors. Consequently, none of our related party transactions effected prior to such date were approved by disinterested, independent directors at the time of the transaction. Our two disinterested, independent directors have since determined that our related party transactions that were entered into prior to such date and continue in effect, including the outstanding loans from Messrs. Culver and Smith to us, are on terms no less favorable to us than we could obtain from unaffiliated parties, and have ratified these transactions. We derived no revenue from related party transactions during the fiscal year ended December 31, 2000.

On an ongoing basis, all related party transactions will be reviewed by our board of directors. It is the policy of our board of directors that all proposed transactions by us with our directors, officers, five-percent stockholders and their affiliates, including forgiveness of any loan from us to any such person, be entered into or approved only if such transactions are on terms no less favorable to us than we could obtain from unaffiliated parties, are reasonably expected to benefit us and are approved by a majority of the disinterested, independent members of our Board of Directors. Such independent directors are authorized to consult with independent legal counsel at our expense in determining whether to approve any such transaction.

PRINCIPAL STOCKHOLDERS

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The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 15, 2001, and as adjusted to reflect the sale of 800,000 units in this offering, by:
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- each person or group of affiliated persons known to be the beneficial owner of more than 5% of our outstanding common stock;
- each of our directors;
- our chief executive officer; and
- all of our directors and executive officers as a group.

As of such date, there were 1,510,754 shares of common stock outstanding before giving effect to the sale of units in this offering. We believe that, except as otherwise described below, each named beneficial owner has sole voting and investment power with respect to the shares listed.

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Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned Before This Offering	Percentage Beneficially Owned After This Offering
Bruce R. Culver(1)	491,146	31.9%	17.9%
Phillips W. Smith(2)	388,943	25.4%	14.2%
Patrick W. Smith(3)	363,118	23.8%	13.3%
Thomas P. Smith(4)	219,208	14.4%	8.0%
Malcolm W. Sherman(5)	123,796	8.2%	4.6%
Karl F. Walter(6)	417	*	*
Matthew R. McBrady(7)	417	*	*
All directors and executive officers as a group (7 persons)(8)	1,478,921	92.1%	52.7%

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The address of each person identified in this table is c/o 7860 East McClain Drive, Suite 2, Scottsdale, Arizona 85260.

As of March 15, 2001, we had nine stockholders.

* less than 1%

<R>
(1) Includes 31,061 shares subject to warrants that are exercisable within 60 days.
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<R>
(2) Includes 21,297 shares subject to options or warrants that are exercisable within 60 days.
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<R>
(3) Includes 12,784 shares subject to options that are exercisable within 60 days.
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(4) Includes 12,784 shares subject to options that are exercisable within 60 days.

(5) Includes 3,333 shares subject to options that are exercisable within 60 days.

(6) Includes 417 shares subject to options that are exercisable within 60 days.

(7) Includes 417 shares subject to options that are exercisable within 60 days.

(8) Includes 94,432 shares subject to options or warrants that are exercisable within 60 days.

DESCRIPTION OF SECURITIES

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Upon completion of the offering, our authorized capital stock will consist of 50,000,000 shares of common stock, $0.00001 par value, and 25,000,000 shares of preferred stock, $0.00001 par value, of which there will be 2,710,754 shares of common stock and no shares of preferred stock outstanding. Our certificate of incorporation and bylaws provide further information about our capital stock.
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Units

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Each unit consists of one and one-half shares of common stock and one and one-half public warrants, each whole warrant to purchase one additional share of common stock. The common stock and warrants will trade only as a unit for at least 30 days following this offering. The representative of the underwriters will then determine when the units separate, after which the common stock and the public warrants will trade separately.
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Common stock

Holders of our common stock are entitled to one vote for each share on all matters submitted to a stockholder vote and may not cumulate their votes. Holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. In the event of our liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock.

Holders of our common stock have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to our common stock. The rights of the holders of common stock are subject to any rights that may be fixed for holders of preferred stock. All outstanding shares of common stock are, and the shares underlying all options and public warrants will be, duly authorized, validly issued, fully paid and non-assessable upon our issuance of these shares.

Preferred stock

Our certificate of incorporation provides for the issuance of up to 25,000,000 shares of preferred stock. As of the date of this prospectus, there are no outstanding shares of preferred stock. Subject to certain limitations prescribed by law and the rights and preferences of the preferred stock, our board of directors is authorized, without further stockholder approval, from time-to-time to issue up to an aggregate of 25,000,000 shares of our preferred stock, in one or more additional series. Each new series of preferred stock may have different rights and preferences that may be established by our board of directors. A majority of our disinterested, independent directors must approve any issuance by us of our preferred stock.

The rights and preferences of future series of preferred stock may include:

- number of shares to be issued;
- dividend rights and dividend rates;
- right to convert the preferred stock into a different type of security;
- voting rights attributable to the preferred stock;
- right to receive preferential payments upon a liquidation of the company;
- right to set aside a certain amount of assets for payments relating to the preferred stock; and
- prices to be paid upon redemption of the preferred stock.

Public warrants

General

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Each public warrant entitles the holder to purchase one share of our common stock at an exercise price per share of 110% of two-thirds of the initial public offering price of the units. The exercise price is subject to adjustment upon the occurrence of certain events as provided in the public warrant certificate and summarized below. Our public warrants may be exercised at any time during the period commencing 30 days after this offering and ending on the fifth anniversary date of the closing of this offering, which is the expiration date. Those of our public warrants which have not previously been exercised will expire on the expiration date. A public warrant holder will not be deemed to be a holder of the underlying common stock for any purpose until the public warrant has been properly exercised.

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Separate transferability

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Our common stock and public warrants will trade only as a unit for at least 30 days following this offering. The representative of the underwriters will then determine when the units separate, after which the common stock and the public warrants will trade separately. The representative intends to separate the units 30 days after this offering absent unforeseen circumstances. We will announce in advance the separation of the units by a public press release. Upon separation, unit holders will receive certificates for the common stock and public warrants in exchange for their unit certificates. Unit holders will receive cash in the place of any fractional shares of common stock or fractional warrants created in connection with the separation of the units. The amount of cash paid for any fractional interest will be equal to the current market value of such fractional interest, which will be the current market value of one whole interest multiplied by the applicable fraction thereof.

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Redemption

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We have the right to redeem the public warrants issued in this offering at a redemption price of $0.25 per public warrant after providing 30 days prior written notice to the public warrant holders, if at the time of the notice, the basic net income per share of our common stock as confirmed by audit for a 12-month period preceding the date of the notice is equal to or greater than $1.00. We will send the written notice of redemption by first class mail to public warrant holders at their last known addresses appearing on the registration records maintained by the transfer agent for our public warrants. No other form of notice by publication or otherwise will be required. If we call the public warrants for redemption, they will be exercisable until the close of business on the business day next preceding the specified redemption date.

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Exercise

A public warrant holder may exercise our public warrants only if an appropriate registration statement is then in effect with the Securities and Exchange Commission and if the shares of common stock underlying our public warrants are qualified for sale under the securities laws of the state in which the holder resides.

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

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Adjustments of exercise price

The exercise price is subject to adjustment if we declare any stock dividend to stockholders or effect any split or reverse split with respect to our common stock. Therefore, if we effect any stock split or reverse split with respect to our common stock, the exercise price in effect immediately prior to such stock split or reverse split will be proportionately reduced or increased, respectively. Any adjustment of the exercise price will also result in an adjustment of the number of shares purchasable upon exercise of a public warrant or, if we elect, an adjustment of the number of public warrants outstanding.

Prior warrants

As of the date of this prospectus, we had issued and outstanding warrants to purchase 52,727 shares of our common stock at a weighted average exercise price of $4.71, the forms of which have been filed as exhibits to the registration statement of which this prospectus is a part.

Registration rights
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All holders of registration rights contained in agreements with us have waived such rights in connection with this offering. In connection with this offering, we have granted Paulson Investment Company, Inc., representative of the underwriters of this offering, warrants to purchase shares of our common stock. These underwriters' warrants, as well as the shares of common stock and warrants included in the units issuable upon exercise of the underwriters' warrants, are being registered on the registration statement of which this prospectus is a part. We will cause the registration statement to remain effective until the earlier of the time that all of the underwriters' warrants have been exercised and the date which is five years after the effective date of this offering. The common stock and warrants issued to the representative upon exercise of these warrants will be freely tradeable. We will bear all expenses incurred in connection with the registration of the shares of common stock and warrants included in the units issuable upon the exercise of the underwriters' warrants.
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Federal income tax considerations

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

Allocation of Purchase Price

Each unit as a whole will have a tax basis equal to the cost of the unit. The measure of income or loss from some of the transactions described below depends on the tax basis in each of the warrant and the share of common stock comprising the unit. We have allocated the purchase price between the warrant and the common stock so that the tax basis for the warrant will be equal to 20% of the price of the unit and the tax basis for the common stock will be equal to 80% of the price of the unit. If you disagree with the allocation, please see your tax advisor for advice on how to notify the Internal Revenue Service that you disagree with the allocation and claim a different basis.

Exercise or Sale of Warrants

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

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Gain or loss from the sale or other disposition of a warrant will be capital gain or loss to its holder if the common stock to which the warrant relates would have been a capital asset in the holder's hands. This capital gain or loss will be long-term capital gain or loss if the holder has held the warrant for more than one year at the time of the sale, disposition or lapse. If we redeem a warrant, the holder generally will realize capital gain or loss. Individuals generally have a maximum federal income tax of 20% on long term capital gains. The deduction of capital losses is subject to limitations.

Sale of Common Stock

A holder who sells common stock other than in connection with a tax free reorganization of involving us will recognize gain or loss in an amount equal to the difference between the amount realized and the holder's tax basis in the common stock. Generally, the holder's tax basis in the common stock will equal the portion of the unit price that was allocable to the common stock. If the common stock is a capital asset in the holder's hands, gain or loss upon the sale of the common stock will be a long-term or short-term capital gain or loss, depending on whether the common stock has been held for more than one year. Individuals generally have a maximum federal income tax of 20% on long-term capital gains. The deduction of capital losses is subject to limitations.

Expiration of Warrants Without Exercise

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

Anti-takeover provisions of our charter documents

Our certificate of incorporation and bylaws include a number of provisions that may have the effect of delaying or preventing a change of control of TASER:

- Our board is divided into three classes, with each class serving a three-year staggered term, so that one-third of the board is elected each year;
- The authorized number of our directors can be changed only by resolution of the board of directors;
- We can issue preferred stock without any vote or further action by stockholders;
- Any action required or permitted to be taken by our stockholders at an annual or a special meeting is valid only if it is properly brought before the meeting, and written stockholder action is valid only if unanimous; and
- Our bylaws limit persons who may call a special meeting of our stockholders.

These provisions may deter hostile takeovers or delay changes in control of our management, which could depress the market price of our securities.

Transfer agent and public warrant agent

The transfer agent for our common stock and public warrants is US Stock Transfer Corporation, Glendale, California.

SHARES ELIGIBLE FOR FUTURE SALE

This offering

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Upon completion of this offering, we expect to have 2,710,754 shares of common stock outstanding, assuming no exercise of outstanding options or warrants, or 2,890,754 shares if the representative's over-allotment is exercised in full. Of these shares, the 1,200,000 shares of common stock issued as part of the units sold in this offering will be freely tradeable without restrictions or further registration under the Securities Act of 1933, except that any shares purchased by our "affiliates," as that term is defined under the Securities Act, may generally only be sold in compliance with the limitations of Rule 144 under the Securities Act. The 1,200,000 shares of common stock underlying the public warrants issued as part of the units sold in this offering will also be freely tradeable after exercise of the warrants, except for shares held by our affiliates.

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Outstanding restricted stock

The 1,510,754 outstanding shares of common stock held by our existing stockholders are restricted securities within the meaning of Rule 144 and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption from registration offered by Rule 144. Holders of all of our outstanding restricted shares of common stock have agreed not to sell or otherwise dispose of any of their shares of common stock for a period of one year after completion of this offering, without the prior written consent of Paulson Investment Company, Inc., subject to certain limited exceptions. Prior to the expiration of this lock-up period, no shares of our outstanding restricted common stock may be sold in the public market pursuant to Rule 144. After the expiration of this lock-up period, or earlier with the prior written consent of Paulson Investment Company, Inc., all 1,510,754 of these outstanding restricted shares may be sold in the public market pursuant to Rule 144.

In general, under Rule 144, as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year, including a person who may be deemed to be our affiliate, may sell within any three-month period a number of shares of common stock that does not exceed a specified maximum number of shares. This maximum is equal to the greater of 1% of the then outstanding shares of our common stock or the average weekly trading volume in the common stock during the four calendar weeks immediately preceding the sale. Sales under Rule 144 are also subject to restrictions relating to manner of sale, notice and availability of current public information about us. In addition, under Rule 144(k) of the Securities Act, a person who is not our affiliate, has not been an affiliate of ours within three months prior to the sale and has beneficially owned shares for at least two years would be entitled to sell such shares immediately without regard to volume limitations, manner of sale provisions, notice or other requirements of Rule 144.

Preferred stock

As of March 15, 2001, we had no shares of preferred stock outstanding.

Options

Beginning 90 days after the date of this prospectus, certain shares issued or issuable upon the exercise of options granted by us prior to the date of this prospectus will also be eligible for sale in the public market pursuant to Rule 701 under the Securities Act, except that of these shares are subject to the lock-up agreements discussed above. Pursuant to Rule 701, persons who purchase shares upon exercise of options granted under a written compensatory plan or contract may sell such shares in reliance on Rule 144 without having to comply with the holding period requirements of Rule 144, and in the case of non-affiliates, without having to comply with the public information, volume limitation or notice provisions of Rule 144. As of March 15, 2001, we had options outstanding to purchase 434,322 shares of common stock which have not been exercised and which become exercisable at various times in

the future. Any shares issued upon the exercise of these options will be eligible for sale pursuant to Rule 701.

We intend to file registration statements on Form S-8 under the Securities Act to register approximately 434,322 shares of our common stock issuable under our stock option plans. These registration statements are expected to be filed within three to six months after the completion of this offering. Shares of our common stock issued upon the exercise of stock options after the effective date of the Form S-8 registration statements will be eligible for resale in the public market without restriction, subject to Rule 144 limitations and the lock-up agreements discussed above.

Warrants

As of March 15, 2001, we had warrants outstanding to purchase 52,727 shares of common stock which have not been exercised and which are currently exercisable. Any shares issued upon the exercise of these warrants will be eligible for sale pursuant to Rule 144, except that these shares are also subject to the lock-up agreements discussed above.
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Underwriters' warrants
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In connection with this offering, we have agreed to issue to the underwriters warrants to purchase 80,000 units. The underwriters' warrants will be exercisable into units at any time during the four-year period commencing one year after the effective date of this offering. We will cause the registration statement to remain effective until the earlier of the time that all of the underwriters' warrants have been exercised and the date which is five years after the effective date of this offering. The common stock and warrants issued to the representative upon exercise of these warrants will be freely tradeable.
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UNDERWRITING

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

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Underwriters	Number of Units
Paulson Investment Company, Inc.	
Mercer Partners, Inc.	
Total	

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The underwriting agreement provides that the underwriters are obligated to purchase all of the units offered by this prospectus, other than those covered by the over-allotment option, if any units are purchased. The underwriting agreement also provides that the obligations of the several underwriters to pay for and accept delivery of the units are subject to the approval of certain legal matters by counsel and certain other conditions. These conditions include the requirements that no stop order suspending the effectiveness of the registration statement be in effect and that no proceedings for such purpose have been instituted or threatened by the Securities and Exchange Commission.

The representative has advised us that the underwriters propose to offer our units to the public initially at the offering price set forth on the cover page of this prospectus and to selected dealers at such price less a concession of not more than $ per unit. The underwriters and selected dealers may reallow a concession to other dealers, including the underwriters, of not more than $ per unit. After completion of the initial public offering of the units, the offering price, the concessions to selected dealers and the reallowance to their dealers may be changed by the underwriters.

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A limited number of units, not to exceed four percent of the units sold in this offering, will be allocated and sold to certain of our employees, friends and family members and to selected law enforcement officers as part of this offering. No specific number of units have been reserved for this purpose. The units sold to these purchasers will be sold at the initial public offering price of the units and will not be subject to a lock-up agreement.

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The underwriters have informed us that they do not expect to confirm sales of our units offered by this prospectus to any accounts over which they exercise discretionary authority.

Over-allotment option

Pursuant to the underwriting agreement, we have granted Paulson Investment Company, Inc. an option, exercisable for 45 days from the date of this prospectus, to purchase up to an additional units on the same terms as the units being purchased by the underwriters from us. Paulson Investment Company, Inc. may exercise the option solely to cover over-allotments, if any, in the sale of the units that the underwriters have agreed to purchase. If the over-allotment option is exercised in full, the total public offering price, underwriting discounts and commissions, and proceeds to us before offering expenses will be $, $ and $, respectively.

Stabilization

Until the distribution of the units offered by this prospectus is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters to bid for and to purchase units. As an exception to these rules, the underwriters may engage in transactions that stabilize the price of the units. Paulson Investment Company, Inc., on behalf of the underwriters, may engage in over-allotment sales, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Syndicate covering transactions involve purchases of the common stock and public warrants in the open market after the distribution has been completed in order to cover syndicate short positions. The underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option to purchase additional units as described above.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the units originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions.

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

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

Indemnification

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

Underwriters' compensation

We have agreed to sell the units to the underwriters at the initial offering price of $, less the % underwriting discount. The underwriting agreement also provides that upon the closing of the sale of the units offered, Paulson Investment Company, Inc. will be paid a nonaccountable expense allowance equal to 2.5 percent of the gross proceeds from the sale of the units offered by this prospectus, including the over-allotment option.
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We have also agreed to issue warrants to the underwriters to purchase from us up to units at an exercise price per unit equal to 120% of the offering price per unit. These warrants are exercisable during the four-year period beginning one year from the date of effectiveness of the registration statement. These warrants, and the securities underlying the warrants, are not transferable for one year following the effective date of the registration, except to an individual who is an officer or partner of an underwriter, by will or by the laws of descent and distribution, and are not redeemable. These warrants will have registration rights. We will cause the registration statement to remain effective until the earlier of the time that all of the underwriters' warrants have been exercised and the date which is five years after the
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effective date of this offering. The common stock and warrants issued to the underwriters upon exercise of these warrants will be freely tradeable.
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The holders of the underwriters' warrants will have, in that capacity, no voting, dividend or other stockholder rights. Any profit realized by the representative on the sale of the securities issuable upon exercise of the underwriters' warrants may be deemed to be additional underwriting compensation. The securities underlying the underwriters' warrants are being registered on the registration statement. During the term of the underwriters' warrants, the holders thereof are given the opportunity to profit from a rise in the market price of our common stock. We may find it more difficult to raise additional equity capital while the underwriters' warrants are outstanding. At any time at which the underwriters' warrants are likely to be exercised, we may be able to obtain additional equity capital on more favorable terms.
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Lock-up agreements
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Our officers, directors and other stockholders have agreed that for a period of one year from the date this registration statement becomes effective that they will not sell, contract to sell, grant any option for the sale or otherwise dispose of any of our equity securities, or any securities convertible into or exercisable or exchangeable for our equity securities, other than through intra-family transfers or transfers to trusts for estate planning purposes, without the consent of Paulson Investment Company, Inc., as the representative of the underwriters, which consent will not be unreasonably withheld. Paulson Investment Company, Inc. may consent to an early release from the one-year lock-up period if in its opinion the market for the common stock would not be adversely impacted by such sales and in cases of an officer, director or other stockholder's financial emergency. We are unaware of any officer, director or current stockholder who intends to ask for consent to dispose of any of our equity securities during the lock-up period.
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Determination of offering price

Before this offering, there has been no public market for the units and the common stock and public warrants contained in the units. Accordingly, the initial public offering price of the units offered by this prospectus and the exercise price of the public warrants were determined by negotiation between us and the underwriters. Among the factors considered in determining the initial public offering price of the units and the exercise price of the public warrants were:

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

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

LEGAL MATTERS

The validity of the securities being offered hereby will be passed upon on our behalf by Tonkon Torp LLP, Portland, Oregon. Certain legal matters will be passed upon for the underwriters by Weiss Jensen Ellis & Howard, P.C., Portland, Oregon.

EXPERTS

The financial statements as of and for the years ended December 31, 1999 and 2000 included in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting and in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act with the Securities and Exchange Commission with respect to the units offered hereby. This prospectus filed as part of the registration statement does not contain all of the information contained in the registration statement and exhibits thereto and reference is hereby made to such omitted information. Statements made in this registration statement are summaries of the terms of such referenced contracts, agreements or documents and are not necessarily complete. Reference is made to each such exhibit for a more complete description of the matters involved and such statements shall be deemed qualified in their entirety by such reference. The registration statement and the exhibits and schedules thereto filed with the Securities and Exchange Commission may be inspected by you at the Securities and Exchange Commission's principal office in Washington, D.C. Copies of all or any part of the registration statement may be obtained from the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, (202) 942-8090, and at the Commission's regional offices located at Seven World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 11400, Chicago, Illinois 60661. The Commission also maintains a website at http://www.sec.gov that contains reports, proxy statements and information statements and other information regarding registrants that file electronically with the Commission. For further information pertaining to us and the units offered by this prospectus, reference is made to the registration statement.

We intend to furnish our stockholders with annual reports containing financial statements audited by our independent public accountants.

TASER INTERNATIONAL, INC.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
TASER International, Inc.:
<R>

We have audited the accompanying balance sheets of TASER International, Inc. (a Delaware corporation) as of December 31, 1999 and 2000, and the related statements of operations, stockholders' deficit and cash flows for each of the two years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.
</R>

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TASER International, Inc. as of December 31, 1999 and 2000, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Phoenix, Arizona
<R>
April 30, 2001
</R>

TASER INTERNATIONAL, INC.

BALANCE SHEETS
December 31, 1999 and 2000

<R>

	1999	2000
Assets		
Current Assets:		
Cash and cash equivalents	$ 54,905	$ 206,408
Accounts receivable, net of allowance of $48,000 in 1999 and $55,000 in 2000	121,921	312,681
Inventory	158,167	221,169
Prepaids and other	14,043	24,535
Total current assets	349,036	764,793
Property and Equipment, net	256,110	274,273
Total assets	$ 605,146	$ 1,039,066
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Current portion of note payable	$ 112,000	$ 100,000
Current portion of notes payable to related parties	1,664,774	124,574
Current portion of capital lease obligations	19,176	22,171
Accounts payable and accrued liabilities	574,989	589,949
Customer deposits	62,317	539,329
Inventory financing payable	189,980	189,980
Accrued interest, primarily to related parties	138,942	268,134
Total current liabilities	2,762,178	1,834,137
Notes Payable to Related Parties, net of current portion	74,781	2,778,219
Capital Lease Obligations, net of current portion	19,979	43,925
Total liabilities	2,856,938	4,656,281
Commitments and Contingencies		
Stockholders' Deficit:		
Preferred Stock, 0.00001 par value per share; 25 million shares authorized; 0 shares issued and outstanding at December 31, 1999 and 2000	—	—
Common stock, 0.00001 par value per share; 50 million shares authorized; 3,177,421 and 1,510,754 shares issued and outstanding at December 31, 1999 and 2000	32	32
Additional paid-in capital	4,068,814	3,256,575
Deferred compensation	—	(79,920)
Common Stock held in treasury, at cost, 0 and 1,666,667 shares at December 31, 1999 and 2000	—	(17)
Accumulated deficit	(6,320,638)	(6,793,885)
Total stockholders' deficit	(2,251,792)	(3,617,215)
Total liabilities and stockholders' deficit	$ 605,146	$ 1,039,066

</R>

The accompanying notes are an integral part of these balance sheets.

TASER INTERNATIONAL, INC.

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 1999 and 2000

<R>

	1999	2000
Net Sales	$ 2,208,488	$3,412,620
Cost of Products Sold:		
Direct manufacturing expense	1,001,082	1,350,175
Indirect manufacturing expense	1,087,404	488,214
Gross margin	120,002	1,574,231
Sales, general and administrative expenses	1,442,613	1,613,979
Research and development expenses	64,227	7,137
Loss from operations	(1,386,838)	(46,885)
Interest Expense	279,895	426,362
Net Loss	$(1,666,733)	$ (473,247)
Net losses per common and common equivalent share:		
Basic	$ (0.54)	$ (0.19)
Diluted	(0.54)	(0.19)
Weighted average number of common and common equivalent shares outstanding:		
Basic	3,076,410	2,482,976
Diluted	3,076,410	2,482,976

</R>

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

TASER INTERNATIONAL, INC.

STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 1999 and 2000

<R>

	Common Stock		Additional Paid-in	Treasury Stock	
	Shares	Amount	Capital	Shares	Amount
Balance, December 31, 1998	1,359,239	$ 14	$2,567,432	—	—
Shares sold for cash to stockholder	1,666,667	17	999,983	—	—
Issuance of common stock	151,515	1	499,999	—	—
Stock options granted for payment of consulting fees	—	—	—	—	—
Net loss	—	—	—	—	—
Balance, December 31, 1999.	3,177,421	32	4,068,814	—	—
Repurchase of shares from Stockholder for note Payable	—	—	(999,983)	(1,666,667)	(17)
Stock options granted for payment of Board fee	—	—	79,920	—	—
Stock options granted for payment of consulting fee	—	—	13,917	—	—
Stock options and warrants granted for loan guarantees	—	—	93,907	—	—
Net loss	—	—	—	—	—
Balance, December 31, 2000.	3,177,421	$ 32	$3,256,575	(1,666,667)	(17)

[Additional columns below]

</R>

[Continued from above table, first column(s) repeated]

<R>

	Deferred Compensation	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 1998	$ —	$(4,653,905)	$(2,086,459)
Shares sold for cash to stockholder	—	—	1,000,000
Issuance of common stock	—	—	500,000
Stock options granted for payment of consulting fees	—	—	1,400
Net loss	—	(1,666,733)	(1,666,733)
Balance, December 31, 1999.	—	(6,320,638)	(2,251,792)
Repurchase of shares from Stockholder for note Payable	—	—	(1,000,000)
Stock options granted for payment of Board fee	(79,920)	—	—
Stock options granted for payment of consulting fee	—	—	13,917
Stock options and warrants granted for loan guarantees	—	—	93,907
Net loss	—	(473,247)	(473,247)
Balance, December 31, 2000.	$(79,920)	$(6,793,885)	$(3,617,215)

</R>

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

TASER INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1999 and 2000

<R>

	1999	2000
Cash Flows from Operating Activities:		
Net loss	$(1,666,733)	$ (473,247)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities —		
Depreciation	179,453	124,803
Change in assets and liabilities:		
Accounts receivable	90,474	(190,760)
Inventory	607,165	(63,002)
Prepaids and other	16,598	(10,492)
Accounts payable and accrued liabilities	(95,150)	14,960
Customer deposits	62,317	477,012
Accrued interest	101,650	129,192
Net cash (used in) provided by operating activities	(704,226)	8,466
Cash Flows from Investing Activities:		
Purchases of property and equipment, net	(133,760)	(99,759)
Cash Flows from Financing Activities:		
Net payments under capital leases	(19,195)	(16,266)
Payments on note payable	—	(12,000)
Net proceeds from notes payable to related parties	728,344	163,238
Net borrowings (payments) under line of credit	(1,329,635)	—
Issuance of common stock	1,500,000	—
Deferred compensation	—	(79,920)
Compensatory stock options	1,400	187,744
Net cash provided by financing activities	880,914	242,796
Net Increase in Cash and Cash Equivalents	42,928	151,503
Cash and Cash Equivalents, beginning of year	11,977	54,905
Cash and Cash Equivalents, end of year	$ 54,905	$ 206,408
Supplemental Disclosure:		
Cash paid for interest	$ 179,171	$ 239,552
Noncash Investing and Financing Activities:		
Acquisition of property and equipment under capital leases	$ 33,635	$ 43,207
Exchange of shares from related party for note payable	$ —	$1,000,000
Fair value of stock options issued for payment of consulting fees	$ 1,400	$ 13,917
Fair value of stock options and warrants issued for loan guarantees	$ 0	$ 93,907
Fair value of stock options and warrants issued for Board fees	$ 0	$ 79,920

</R>

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

TASER INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 2000

1. The Company

a. History and Nature of Organization

TASER International, Inc. (TASER or the Company) was incorporated and began operations in Arizona in 1993 for the purpose of developing and manufacturing less-lethal, self-defense devices. From its inception until the Company commenced production in December 1994, the Company was in the development stage. During the period leading up to the start of production, the Company's activities included raising capital, hiring key personnel and obtaining the necessary licenses. All production costs during the period from inception through December 31, 1995, consisting of research and development activities and limited product manufacturing, were expensed as incurred.

Through 1996, the Company was developing its signature product, the AIR TASER, and establishing the marketing channels to promote retail sales. Significant nonrecurring expenditures were incurred, including research and development costs, the development of marketing and sales materials, the purchase of the licensing rights to the TASER technology and trademark, and the relocation of the manufacturing operations to Mexico, which resulted in significant operating losses.

In 1997, the Company introduced a new product, the AUTO TASER. As a result of significant expenditures for research and development, manufacturing difficulties, scrap, engineering changes and other costs associated with the start up of this product line, the Company continued to experience operating losses in 1997, 1998 and 1999. This product line was discontinued August 1, 1999.

In 1998, the Company formally changed its name from Air Taser, Inc. to TASER International, Inc. and began development of its ADVANCED TASER product, which was introduced for sale in December 1999.

b. Financing

The Company has been financed primarily from advances from and investments by major stockholders and bank financing guaranteed by major stockholders. Since inception, the Company has sustained significant operating losses and has, at December 31, 2000, a deficit in working capital of approximately $1,069,000. In addition, new capital will be required to fund further product development, market penetration, working capital and future operations. The Company believes that additional financing will be available under terms and conditions that are acceptable to it. However, there can be no assurance that additional financing will be available.
<R>

Subsequent to year end, the Company closed a loan for $500,000 from an unrelated private lender, and management believes its operating cash flow throughout 2001 will be positive. In addition, in the event the Company's contemplated initial public offering is not completed, the Company has an agreement with two major stockholders whereby the Company may, at the Company's sole option, extend the maturity date of the stockholders' outstanding notes for a period not to exceed 24 months. The Company may also, at the Company's sole option, retire such debt at any time without penalty. In addition, a major stockholder has established a non-revocable letter of credit in the amount of $500,000 on the Company's behalf that the Company can use to fund any shortfalls in the Company's monthly capital requirements. The letter of credit expires at the earlier of the closing of this offering or December 31, 2001.
</R>

c. Initial Public Offering
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The Company is contemplating an initial public offering (IPO) of 800,000 units at an estimated price of $13 per unit, consisting of one and one-half shares of common stock and one and one-half warrants, each whole warrant to purchase one share of common stock (Note 11).
</R>

TASER INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

d. Reincorporation and Restatement of Shares

In February 2001, the Company reincorporated in the State of Delaware. In connection with the reincorporation, the Company completed a 1-for-6 share reverse stock split. The accompanying financial statements and footnotes have been restated for the lower number of shares of common stock outstanding for all periods presented.

2. Summary of Significant Accounting Policies

a. Cash and Cash Equivalents

Cash and cash equivalents include funds on hand and short-term investments with original maturities of three months or less.

b. Inventory

Inventories are stated at the lower of cost or market; cost is determined using the most recent acquisition cost method which approximates the first-in, first-out (FIFO) method. Inventories consisted of the following at December 31:

	1999	2000
Raw materials and work-in-process	$131,007	$153,506
Finished goods	27,160	67,663
	$158,167	$221,169

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Inventory cost in 1999 and 2000 includes primarily the cost paid to an outsourced manufacturer, which included charges for material, labor and overhead.
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c. Property and Equipment

Property and equipment are stated at cost. Additions and improvements are capitalized while ordinary maintenance and repair expenditures are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

d. Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*. Under SFAS 121, long-lived assets to be held and used in operations are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized if the sum of the expected long-term undiscounted cash flow is less than the carrying amount of the long-lived assets being evaluated. The Company has not recognized any impairment losses during the two year period ended December 31, 2000.

e. Customer Deposits

The Company requires certain deposits in advance of shipment for foreign customer sales orders. At December 31, 2000, customer deposits consisted primarily of one foreign customer sales order.

TASER INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

f. Cost of Products Sold

During 2000, the Company outsourced the assembly of its finished goods, but continued to manufacture certain small, proprietary components internally. Prior to August 1999, all finished goods were assembled internally. At December 31, 2000, cost of products sold represents net amounts paid to a vendor to acquire finished goods sold to customers and the manufacturing costs, including material, labor and overhead related to the proprietary components the Company manufactures internally. Prior to August 1999, costs of products sold included the manufacturing costs, including materials, labor and overhead related to finished goods and components. Shipping costs incurred related to product delivery are also included in cost of products sold.

At December 31, 1999, included within cost of products sold is a one-time charge related to the phase-out of the AUTO TASER product line of approximately $355,000.

g. Revenue Recognition

The Company recognizes revenues when products are shipped and all sales are final. The Company charges certain of its customers shipping fees, which are recorded as a component of net sales.

On December 3, 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements,* which provides additional guidance in applying generally accepted accounting principles for revenue recognition in financial statements. The issuance of SAB No. 101 did not have a material impact on the revenue recognition method of the Company.

h. Use of Estimates

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

i. Advertising Costs

The Company expenses the production cost of advertising as incurred or the first time the advertising takes place. The Company incurred advertising costs of $24,652 and $35,035 in 1999 and 2000, respectively. Advertising costs are included in sales, general and administrative expenses in the statements of operations.

j. Warranty Costs

The Company warrants its products from manufacturing defects for their lives and will replace any defective units with a new one for a $25 fee. In 2000, the Company recalled a series of ADVANCED TASERs due to a defective component in connection with which the Company incurred warranty expense of approximately $9,000 and recorded an additional charge of $41,000 to cover estimated future warranty costs based upon the number of units sold and the estimated defect rate using its prior actual experience.

k. Research and Development Expenses

The Company expenses research and development costs as incurred. The Company incurred product development expense of $64,227 and $7,137 in 1999 and 2000, respectively.

TASER INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

l. Income Taxes

The Company, since inception, has qualified as an S corporation under the Internal Revenue Code, and accordingly, is not directly subject to income taxes. There is no provision or benefit for income taxes reflected in the accompanying financial statements, since items of taxable income and losses are reported in the individual returns of stockholders.

Subsequent to December 31, 2000, the Company reincorporated in the State of Delaware and elected to be taxed as a C corporation. Net operating losses (NOLs) prior to the change to a C corporation accrued to the individual stockholders. Accordingly, such losses are not available to reduce future taxes payable by the Company as a C corporation.

Upon termination of the S status, the Company is required to implement SFAS No. 109, *"Accounting for Income Taxes"* which requires the calculation of existing temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Management does not expect such implementation to have a significant impact on the Company.

Had the Company been a C corporation in 1999 and 2000, no federal or state income tax benefit would have been recorded for the NOLs discussed above because their realizability could not be determined as more likely than not. Accordingly, no pro forma benefit for federal or state income taxes is recorded as if the Company were taxed as a C corporation for any of the periods presented. Additionally, the accumulated deficit at the time of the S election termination will be reclassified to additional paid-in capital.

m. Concentration of Credit Risk and Major Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable, accounts payable and notes payable to related parties. Sales are typically made on credit and the Company generally does not require collateral. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for estimated potential losses. Accounts receivable are presented net of an allowance for doubtful accounts. Provision for bad debts was $32,250 and $72,905 at December 31, 1999 and 2000, respectively.

For the years ended December 31, 1999 and 2000, sales by product were as follows:

	1999	2000
	(000s omitted)	
Sales by product line:		
AIR TASER	$1,311	$1,241
AUTO TASER	601	24
ADVANCED TASER	80	2,099
Other	216	49
	$2,208	$3,413
Geographic:		
United States	52%	82%
Other countries	48	18
	100%	100%

Sales to customers outside of the United States are denominated in U.S. dollars.

TASER INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

n. Financial Instruments

The Company's financial instruments include cash, accounts receivable and accounts payable. Due to the short-term nature of these instruments, the fair value of these instruments approximates their recorded value. The Company does not have any financial instruments with off-balance sheet risk.

The Company has notes payable to stockholders at varying terms which, based on the short-term nature of the notes and financing obtained from outside sources, the Company believes are stated at their estimated fair market value.

o. Segment Information

The Company has adopted SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*. This statement requires disclosure of certain information about the Company's operating segments, products, geographic areas in which it operates and major customers. This statement also allows a company to aggregate similar segments for reporting purposes. Management has determined that its operations can be aggregated into one reportable segment. Therefore, no separate segment disclosures have been included in the accompanying notes to the financial statements.

p. Stock-Based Compensation

The Company measures compensation costs related to stock option plans using the intrinsic value method and provides pro forma disclosures of net income (loss) and earnings (loss) per common share as if the fair value based method had been applied in measuring compensation costs. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Company's common stock at the date of measurement over the amount an employee must pay to acquire the stock and is amortized over the vesting period, generally three years.

q. Comprehensive Income

The Company has adopted SFAS No. 130, *Reporting Comprehensive Income*. This statement requires that all components of comprehensive income be reported in the financial statements in the period in which they are recognized. During the years ended December 31, 1999 and 2000, the Company did not have any components of comprehensive income requiring separate reporting in the Company's financial statements.

r. Income (Loss) Per Common Share

Income (loss) per common share is computed in accordance with SFAS No. 128, *Earnings Per Share*. Basic income (loss) per common share is based upon the weighted average shares outstanding. Diluted income (loss) per common share is based on the weighted average shares outstanding and dilutive common stock equivalents. Approximately 144,875 and 186,049 options and warrants were not included in the computation of diluted earnings

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BYLAWS OF TASER INTERNATIONAL, INC.

ARTICLE I: OFFICES

Section 1.01 Registered Office.

The registered office of Taser International, Inc. (the "Corporation") in the State of Delaware shall be that set forth in the Certificate of Incorporation or in the most recent amendment of the Certificate of Incorporation or in a certificate prepared by the Board of Directors and filed with the Secretary of State of Delaware changing the registered office.

Section 1.02. Other Offices.

The Corporation may also have offices and places of business at such other places of business both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II: MEETINGS OF STOCKHOLDERS

Section 2.01. Place of Meetings.

All meetings of the stockholders of the Corporation shall be held at its registered office or at such other place within or without the State of Delaware as shall be stated by the Board of Directors in the notice of the meeting. In the absence of designation otherwise, meetings shall be held at the principal executive offices of the Corporation in the State of Arizona.

Section 2.02. Time of Meetings.

The Board of Directors shall designate the time and day for each meeting. In the absence of such designation, all meetings of the stockholders shall be held at 1:00 p.m., Mountain Time.

Section 2.03. Annual Meetings.

Section 2.03-a. Business to be Transacted. Except as otherwise required by law or regulation, no business proposed by a stockholder to be considered at an annual meeting of the stockholders (including the nomination of any person to be elected as a director of the Corporation) shall be considered by the stockholders at that meeting unless, no later than sixty (60) days before the annual meeting of stockholders or (if later) ten (10) days after the first public notice of that meeting is sent to stockholders, the Corporation receives from the stockholder proposing that business a written notice that sets forth: (1) the nature of the proposed business with reasonable particularity, including the exact text of any proposal to be presented for adoption, and the reasons for conducting that business at the annual meeting; (2) with respect to each such stockholder, that stockholder’s name and address (as they appear on the records of

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the Corporation), business address and telephone number, residence address and telephone number, and the number of shares of each class of stock of the Corporation beneficially owned by that stockholder; (3) any interest of the stockholder in the proposed business; (4) the name or names of each person nominated by the stockholder to be elected or re-elected as a director, if any; and (5) with respect to each nominee, that nominee's name, business address and telephone number, and residence address and telephone number, the number of shares, if any, of each class of stock of the Corporation owned directly and beneficially by that nominee, and all information relating to that nominee that is required to be disclosed in solicitations of proxies for elections of directors, or is other required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any provision of law subsequently replacing Regulation 14A, together with a duly acknowledged letter signed by the nominee stating his or her acceptance of the nomination by that stockholder, stating his or her intention to serve as a director if elected, and consenting to being named as a nominee for director in any proxy statement relating to such election. The person presiding at the annual meeting shall determine whether business (including the nomination of any person as a director) has been properly brought before the meeting and, if the facts so warrant, shall not permit any business (or voting with respect to any particular nominee) to be transacted that has not been properly brought before the meeting. Notwithstanding any other provision of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, and in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of the holders of not less than 66.67% of the voting power of the then outstanding shares of capital stock entitled to vote thereon (the "Voting Stock"), voting together as a single class, shall be required to amend or repeal, or to adopt a provision inconsistent with, this Section 2.03-a.
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Section 2.03-b. Date and Time. Annual meetings of stockholders shall be held at such date and time as shall be designated by the Board of Directors and stated in the notice of the meeting.

Section 2.03-c. Election of Directors. At each annual meeting of stockholders beginning in 2001, the stockholders, voting as provided in the Certificate of Incorporation or in these Bylaws, shall elect directors to succeed directors whose terms are expiring, each such director to hold office until the third annual meeting of stockholders after his or her election and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 2.04. Special Meetings.

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Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may only be called and proposed by: (i) the Chairman of the Board; (ii) the Chief Executive Officer; (iii) the holder(s) of a majority of the voting power of the Voting Stock; or (iv) the Board of Directors pursuant to a resolution adopted by a majority of the then-authorized number of directors. Such request shall state the purpose or purposes of the proposed meeting.
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Section 2.05. Purpose of Special Meeting.

Business transacted at any special meeting of the stockholders shall be limited to the matters stated in the notice of such meeting, or other matters necessarily incidental therefore.

Section 2.06. Notice of Meetings.

Notice of stockholder meetings shall be in writing. Such notice shall state the place, date and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. A copy of such notice shall be either delivered personally or mailed, postage prepaid, to each stockholder of record entitled to vote at such meeting pursuant to Section 2.13 hereof not less than ten (10) nor more than sixty (60) days before such meeting. If mailed, it shall be directed to each stockholder at his or her address as it appears upon the records of the Corporation, and upon such mailing of any such notice, the service thereof shall be complete, and the time of the notice shall begin to run from the date that such notice is deposited in the mail for transmission to such stockholder. Personal delivery of any such notice to a corporation, an association, or a partnership shall be accomplished by personal delivery of such notice to any officer of a corporation or an association or to any member of a partnership.

Section 2.07. Waiver of Notice.

Notice of any meeting of the stockholders may be waived before, at, or after such meeting in a writing signed by the stockholder or representative thereof entitled to vote the shares so represented. Such waiver shall be filed with the Secretary or entered upon the records of the meeting.

Section 2.08. Quorum; Adjournment.

The holders of a majority of the voting power of all shares entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of all business at meetings of the stockholders, except as may be otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the original meeting in accordance with the notice thereof. If a quorum is present when a duly called or held meeting is convened, the stockholders present in person or represented by proxy may continue to transact business until adjournment notwithstanding the withdrawal of enough stockholders originally present in person or by proxy to leave less than a quorum, and for the purposes of voting pursuant to Section 2.09 hereof, stockholders holding a majority of the voting power of all shares entitled to vote shall be deemed to be present in person.

Section 2.09. Vote Required.

When a quorum is present or represented at any meeting, the vote of the holders of a majority of the voting power of all shares entitled to vote present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one that by express provision of statute or of the Certificate of Incorporation or of these Bylaws requires a different vote, in which case such express provision shall govern the vote required.

Section 2.10. Voting Rights.

Except as may be otherwise required by statute or the Certificate of Incorporation or these Bylaws, every stockholder of record of the Corporation shall be entitled at each meeting of the stockholders to one vote for each share of stock standing in his or her name on the books of the Corporation.

Section 2.11. Proxies.

At any meeting of the stockholders, any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing, signed by the stockholder, and filed with the Secretary at or before the meeting. In addition, a stockholder may cast or authorize the casting of a vote by a proxy by transmitting to the Corporation or the Corporation’s duly authorized agent before the meeting, an appointment of a proxy by means of a telegram, cablegram, or any other form of electronic transmission, including telephonic transmission, whether or not accompanied by written instructions of the stockholder. The electronic transmission must set forth or be submitted with information from which it can be determined that the appointment was authorized by the stockholder. If it is determined that a telegram, cablegram, or other electronic transmission is valid, the inspectors of election or, if there are no inspectors, the other persons making that determination shall specify the information upon which they relied to make that determination.

An appointment of a proxy or proxies for shares held jointly by two or more stockholders is valid if signed by any one of them, unless and until the Corporation receives from any one of those stockholders written notice denying the authority of such other person or persons to appoint a proxy or proxies or appointing a different proxy or proxies, in which case no proxy shall be appointed unless the instrument shall otherwise provide. No proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. Subject to the above, any duly executed proxy shall continue in full force and effect and shall not be revoked unless written notice of its revocation or a duly executed proxy bearing a later date is filed with the Secretary of the Corporation. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable proxy.

Section 2.12. Action in Writing.

Subject to the terms of any preferred stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be taken at a duly called annual or special meeting of such stockholders or by written consent of all (but not less than all) stockholders entitled to vote in lieu of such a meeting.

Section 2.13. Closing of Books; Record Date.

The Board of Directors may fix, or authorize an officer to fix, a date, not more than sixty (60) nor less than ten (10) days preceding the date of any meeting of the stockholders of the Corporation, as a record date for the determination of the stockholders of record on the date so fixed or their legal representatives shall be entitled to notice of and to vote at such meeting, notwithstanding any transfer of shares on the books of the Corporation against the transfer of shares during the whole or any part of such period.

ARTICLE III: DIRECTORS

Section 3.01. General Powers.

The business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are by statute or by the Certificate of Incorporation or by these Bylaws permitted, directed or required to be exercised or done by the Board of Directors.

Section 3.02. Number and Qualification.

The number of directors that shall constitute the whole Board of Directors shall from time to time be fixed exclusively by the Board of Directors by a resolution adopted by a majority of the whole Board of Directors serving at the time of that vote. In no event shall the number of directors that constitute the whole Board of Directors be fewer than three (3), nor greater than nine (9). No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors of the Corporation need not be elected by written ballot. Directors need not be stockholders.

Section 3.03. Classes and Terms.

The Board of Directors of the Corporation shall be divided into three classes designated Class A, Class B, and Class C, respectively, all as nearly equal in number as possible, with each director then in office receiving the classification that at least a majority of the Board of Directors designates. The initial term of office of directors of Class A shall expire at the annual meeting of stockholders of the Corporation in 2001, of Class B shall expire at the annual meeting of stockholders of the Corporation in 2002, and of Class C shall expire at the annual meeting of stockholders of the Corporation in 2003, and in all cases a director shall serve until the director’s successor is elected and qualified or until his earlier death, resignation or removal. At each annual meeting of stockholders beginning with the annual meeting of

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stockholders in 2001, each director elected to succeed a director whose term is then expiring shall hold office until the third annual meeting of stockholders after his or her election and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. If the number of directors that constitutes the whole Board of Directors is changed as permitted by the Certificate of Incorporation or these Bylaws, the majority of the whole Board of Directors that adopts the change shall also fix and determine the number of directors comprising each class; provided, however, that any increase or decrease in the number of directors shall be apportioned among the classes as equally as possible. Notwithstanding any provision of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, and in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of 66.67% of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 3.03.
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Section 3.04. Vacancies.

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Vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause, and newly-created directorships resulting from any increase in the authorized number of directors, may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum, who are designated to represent the same class or classes of stockholders that the vacant position, when filled, is to represent or by the sole remaining director (but not by the stockholders except as required by law); provided, however, that, with respect to any directorship to be filled by the Board of Directors by reason of an increase in the number of directors: (a) such directorship shall be for a term of office continuing only until the next election of one or more directors by the stockholders; and (b) the Board of Directors may not fill more than two such directorships during the period between any two successive annual meetings of stockholders. Each director chosen in accordance with this provision shall receive the classification of the vacant directorship to which he or she has been appointed or, if it is a newly-created directorship, shall receive the classification that at least a majority of the Board of Directors designates and shall hold office until the first meeting of stockholders held after his or her election for the purpose of electing directors of that classification and until his or her successor is elected and qualified or until his or her earlier death, resignation, or removal from office. Notwithstanding any provision of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, and in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of 66.67% of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 3.04.
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Section 3.05. Meetings.

Section 3.05-a. Place of Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware.

Section 3.05-b. Regular Meetings. As soon as practicable after each regular election of directors, the Board of Directors shall meet at the registered office of the Corporation, or at such other place within or without the State of Delaware as may be designated by the Board of Directors, for the purpose of electing the officers of the Corporation and for the transaction of such other business as shall come before the meeting. Other regular meetings of the Board of Directors may be held without notice at such time and place within and without the State of Delaware as shall from time to time be determined by resolution of the Board of Directors.

Section 3.05-c. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, Chief Executive Officer, or a majority of the then directors, and shall be held at such time and place as shall be designated in the notice thereof.

Section 3.05-d. Notice. Notice of a special meeting shall be given to each Director at least twenty-four (24) hours before the time of the meeting. Said notice shall be in writing and state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called. Whenever any provision of law, the Certificate of Incorporation, or the Bylaws require notice to be given, any director may, in writing, either before or after the meeting, waive notice thereof. Without notice, any director, by his or her attendance at and participation in the action taken at the meeting, shall be deemed to have waived notice thereof.

Section 3.05-e. Quorum: Voting Requirements: Adjournment. A majority of the Board of Directors then in office shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or these Bylaws.

If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting to another time or place, and no notice as to such adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken. If a quorum is present at the call of a meeting, the directors may continue to transact business until adjournment notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.05-f. Organization of Meetings. At all meetings of the Board of Directors, the Chairman of the Board, or in his absence, the Chief Executive Officer, or in his absence, any director appointed by the Chief Executive Officer, shall preside, and the Secretary, or in his absence, any person appointed by the Chairman, shall act as Secretary.

Section 3.05-g. Action in Writing. Except as may be otherwise required by statute or the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors of the Corporation or of any committee thereof may be taken by written consent in lieu of a meeting, if all members of the Board or committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.05-h. Absent Directors. A director may give advance written consent or opposition to a proposal to be acted on at a meeting of the Board of Directors. Such advance written consent or opposition shall be ineffective unless the writing is delivered to the Chief Executive Officer, Chairman or Secretary of the Corporation prior to the meeting at which such proposal is to be considered. If the director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but such consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected, such substantial similarity to be determined in the sole judgment of the presiding officer at the meeting.

Section 3.06. Committees.

Section 3.06-a. Designation. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

Section 3.06-b. Limitations on Authority. No committees of the Corporation shall have authority as to any of the following matters:

(a) Approving or adopting, or recommending to the stockholders any action or matter expressly required by law to be submitted to stockholders for approval; or

(b) Adopting, amending or repealing any bylaw of the Corporation.

Section 3.06-c. Minutes of Committee Meetings. Committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required.

Section 3.07. Telephone Conference Meetings.

Any Director or any member of a duly constituted committee of the Board of Directors may participate in any meeting of the Board of Directors or of any duly constituted committee thereof by means of a conference telephone or other comparable communication technique whereby all persons participating in such a meeting can hear and communicate with each other. For the purpose of establishing a quorum and taking any action at such a meeting, the members participating in such a meeting pursuant to this Section 3.07 shall be deemed present in person at such meeting.

Section 3.08. Compensation.

Unless otherwise provided by the Board of Directors, directors shall be paid their expenses, if any, of attendance at each meeting of the Board of Directors or a committee thereof. Directors who are not employees of the Corporation shall be paid at least $500 for attendance at each meeting of the Board of Directors, or any committee thereof, unless a different sum is fixed by resolution of the Board of Directors. Directors may also receive other compensation, such as stock options or grants, for their service as directors or committee members as determined by the Board of Directors. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.09. Limitation of Director Liability.

A director shall not be liable to the Corporation or its stockholders for dividends illegally declared, distributions illegally made to stockholders, or any other actions taken in good faith reliance upon financial statements of the Corporation represented to the director to be correct by the Chief Executive Officer of the Corporation or the officer having charge of its books of account or certified by an independent or certified public accountant to fairly reflect the financial condition of the Corporation; nor shall the director be liable if in good faith in determining the amount available for dividends or distributions the Board values the assets in a manner allowable under applicable law.

Section 3.10. Resignation and Removal.

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A director may resign at any time by giving written notice to the Secretary or Assistant Secretary. Such resignation shall take effect on the date of the receipt of such notice or at such later date as specified therein. A director of any class of directors of the Corporation may be removed before the expiration date of that director's term of office only by an affirmative vote of the holders of 66.67% of the voting power of the Voting Stock, voting together as a single class. Notwithstanding any provision of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, and in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of 66.67% of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 3.10.
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ARTICLE IV: OFFICERS

Section 4.01. Selection: Qualifications.

Section 4.01-a. Election: Qualifications. The Board of Directors at its next meeting after each annual meeting of the stockholders shall choose a Chairman of the Board, a Chief Executive Officer, a Secretary, a Chief Financial Officer, and such other officers or agents as it deems necessary, none of whom need be members of the Board.

Section 4.01-b. Additional Officers. The Board of Directors may choose a President, additional Vice Presidents, Assistant Secretaries and Assistant Treasurers and such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4.02. Salaries.

The salaries of all officers, and of the Chairman of the Corporation, shall be fixed by the Board of Directors on an annual basis.

Section 4.03. Term of Office.

The officers of the Corporation shall hold office until their successors are chosen and qualified. Any officer elected or appointed by the Board of Directors may be removed at any time with or without cause by the affirmative vote of a majority of the Board of Directors. Any officer may resign at any time by giving written notice to the Chief Executive Officer or the Secretary of the Corporation. Any vacancy occurring in any office of the Corporation by death, resignation, removal, or otherwise shall be filled by the Board of Directors.

Section 4.04. Chairman of the Board.

The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and of the stockholders and shall perform such other duties as he or she may be directed to perform by the Board of Directors.

Section 4.05. Chief Executive Officer.

The Chief Executive Officer of the Corporation shall have general active management of the business of the Corporation. Unless the Board has elected a Chairman of the Board of Directors, the Chief Executive Officer shall preside at meetings of the stockholders of the Corporation and at meetings of the Board of Directors. The Chief Executive Officer may execute and deliver in the name of the Corporation any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the Corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Board to some other officer or agent of the Corporation; may delegate the authority to execute and deliver documents to other officers of the Corporation; shall maintain records of and, whenever necessary, certify any proceedings of the stockholders and the Board; shall perform such other duties as may from time to time be prescribed by the Board; and, in general, shall perform all duties usually incident to the office of the Chief Executive Officer.

Section 4.06. President.

The President of the Corporation shall have general active management of the business of the Corporation in the absence or disability of the Chief Executive Officer. He shall also generally assist the Chief Executive Officer and exercise such other powers and perform such other duties as are delegated to him by the Chief Executive Officer or Chairman, or as the Board of Directors shall prescribe.

Section 4.07. Vice-Presidents.

Unless otherwise determined by the Board of Directors, the Vice Presidents, if any, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. They shall also generally assist the Chief Executive Officer and the President and exercise such other powers and perform such other duties as are delegated to them by the Chief Executive Officer or the President or as the Board of Directors shall prescribe.

Section 4.08. Secretary and Assistant Secretary.

The Secretary or Assistant Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all the proceedings of the meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required, and shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Chairman or the Board of Directors, under whose supervision he shall be.

The Assistant Secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or in the event of inability or refusal to act by the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Chairman, or Board of Directors, may, from time to time, prescribe.

Section 4.09. Chief Financial Officer.

Section 4.09-a. Custody of Funds and Accounting. The Chief Financial Officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

Section 4.09-b. Disbursements and Reports. The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at the regular meetings of the Board, or when the Board of Directors so requires, an account of all his transactions as Chief Financial Officer and of the financial condition of the Corporation.

Section 4.09-c. Bond. If required by the Board of Directors, the Chief Financial Officer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration, upon the expiration of his term of office or his resignation, retirement, or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

ARTICLE V. CERTIFICATES FOR SHARES

Section 5.01. Issuance of Shares and Fractional Shares.

The Board of Directors is authorized to issue shares and fractional shares of stock of the Corporation up to the full amount authorized by the Certificate of Incorporation in such amounts as may be determined by the Board of Directors and as permitted by law.

Section 5.02. Form of Certificate.

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may resolve that some or all of any or all classes or series of its stock will be uncertificated shares as provided in Section 5.06. Certificates shall be signed by the Chairman of the Board or the President and by the Secretary or Assistant Secretary of the Corporation, certifying the number of shares of capital stock owned by him in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences, and relative, participating, optional, or other special rights of the various classes of stock or series thereof and the qualifications, limitations, or restrictions of such rights, together with a statement of the authority of the Board of Directors to determine the relative rights and preferences of subsequent classes or series, shall be set forth in full on the face or back of the certificate which the Corporation shall issue to represent such stock, or, in lieu thereof, such certificate shall contain a statement that the stock is, or may be, subject to certain rights, preferences, or restrictions and that a statement of the same will be furnished without charge by the Corporation upon request by any stockholder. Certificates representing the shares of the capital stock of the Corporation shall be in such form not inconsistent with law or the Certificate of Incorporation or these Bylaws as shall be determined by the Board of Directors.

Section 5.03. Facsimile Signatures.

Whenever any certificate is countersigned or otherwise authenticated by a transfer agent, transfer clerk, or registrar, then a facsimile of the signatures of the officers or agents of the Corporation may be printed or lithographed upon such certificate in lieu of the actual signatures. In case any officer or officers who shall have signed, or whose facsimile signature shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation, or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be signed and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be the officer or officers of the Corporation.

Section 5.04. Lost, Stolen, or Destroyed Certificates.

The Board of Directors may direct a certificate or certificates to be issued in place of a certificate or certificates previously issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5.05. Transfers of Stock.

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books; except that the Board of Directors may, by resolution duly adopted, establish conditions upon the transfer of shares of stock to be issued by the Corporation, and the purchasers of such shares shall be deemed to have accepted such conditions on transfer upon the receipt of the certificate representing such shares, provided that the restrictions shall be referred to on the certificates or the purchaser shall have otherwise been notified thereof.

Section 5.06. Uncertificated Shares.

Unless prohibited by the Certificate of Incorporation or these Bylaws, some or all of any or all classes and series of the Corporation’s shares may be uncertificated shares. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation. Within a reasonable time after the issuance or

transfer of uncertificated shares, the Corporation shall send to the new stockholder the information required by Section 5.02 to be stated on certificates. If this Corporation becomes a publicly held corporation which adopts, in compliance with Section 17 of the Securities Exchange Act of 1934, a system of issuance, recordation, and transfer of its shares by electronic or other means not involving an issuance of certificates, this information is not required to be sent to new stockholders.

Section 5.07. Closing of Transfer Books: Record Date.

The Board of Directors or an officer of the Corporation authorized by the Board may close the stock transfer books of the Corporation for a period not exceeding sixty (60) days preceding the date of any meeting of stockholders as provided in Section 2.13 hereof or the date for payment of any dividend as provided in Section 6.02 hereof or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect. In lieu of closing the stock transfer books as aforesaid, the Board of Directors or an officer of the Corporation authorized by the Board may fix, in advance, a date, not exceeding sixty (60) days preceding the date for payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to receive payment.

Section 5.08. Registered Stockholders.

The Corporation shall be entitled to recognize the exclusive right of the persons registered on its books as the owners of shares to receive dividends and to vote as such owners and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided in the laws of Delaware.

Section 5.09. Stock Options and Agreements.

In addition to any stock options, plans, or agreements into which the Corporation may enter, any stockholder of the Corporation may enter into an agreement giving any other stockholder or stockholders or any third party an option to purchase any of his stock in the Corporation, and such shares of stock shall thereupon be subject to such agreement and transferable only upon proof of compliance therewith; provided, however, that a copy of such agreement shall be filed with the Corporation and reference thereto placed upon the certificates representing said shares of stock.

ARTICLE VI: DIVIDENDS

Section 6.01. Method of Payment.

Dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 6.02. Closing of Books: Record Date.

The Board of Directors or an officer of the Corporation authorized by the Board may fix a date not exceeding sixty (60) days preceding the date fixed for the payment of any dividend as the record date for the determination of the stockholders entitled to receive payment of the dividend and, in such case, only stockholders of record on the date so fixed shall be entitled to receive payment of such dividend notwithstanding any transfer of shares on the books of the Corporation after the record date. The Board of Directors or an officer of the Corporation authorized by the Board may close the books of the Corporation against the transfer of shares during the whole or any part of such period. If the Board of Directors or an officer of the Corporation authorized by the Board fails to fix such a record date, the record date shall be the thirtieth (30th) day preceding the date of such payment.

Section 6.03. Reserves.

Before payment of any dividend, there may be set aside out of the funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves for meeting contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board shall think conducive to the interest of the Corporation, and the Board may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VII: CHECKS

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

ARTICLE VIII: CORPORATE SEAL

The Corporation shall have no corporate seal.

ARTICLE IX: FISCAL YEAR

The fiscal year of the Corporation shall end on December 31 unless otherwise fixed by resolution of the Board of Directors.

ARTICLE X: AMENDMENTS

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These Bylaws shall not be adopted, altered, amended or repealed except in accordance with the provisions of the Certificate of Incorporation and these Bylaws. Unless a different requirement is mandated by the Certificate of Incorporation or these Bylaws, adoption, alteration, amendment or repeal of these Bylaws requires the affirmative action of a majority of the directors then in office or the vote of the holders of not less than 66.67% of the Voting Stock, voting together as a single class, at an annual meeting of the stockholders or any special meeting of the stockholders.
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ARTICLE XI: BOOKS AND RECORDS

Section 11.01. Books and Records.

The Board of Directors of the Corporation shall cause to be kept:

Section 11.01-a. A share register not more than one year old, giving the names and addresses of the stockholders, the number and classes held by each, and the dates on which the certificated or uncertificated shares were issued;

Section 11.01-b. Records of all proceedings of stockholders and directors; and

Section 11.01-c. Such other records and books of account as shall be necessary and appropriate to the conduct of the corporate business.

Section 11.02. Computerized Records.

The records maintained by the Corporation, including its share register, financial records, and minute books, may utilize any information storage technique, including, for example, computer memory or microimages, even though that makes them illegible visually, if the records can be converted, by machine and within a reasonable time, into a form that is legible visually and whose contents are assembled by related subject matter to permit convenient use by persons in the normal course of business.

Section 11.03. Examination and Copying by Stockholders.

Every stockholder of record of the Corporation shall have a right to examine, in person or by agent or attorney, at any reasonable time or times, at the place or places where usually kept, and upon the showing of a proper purpose, the Corporation’s stock ledger, a list of its stockholders and its other books and records, and to make copies or extracts therefrom.

ARTICLE XII: LOANS AND ADVANCES

Section 12.01. Loans, Guarantees, and Suretyship.

The Corporation may lend money to, guarantee an obligation of, become a surety for, or otherwise financially assist a person, if the transaction, or a class of transactions to which the transaction belongs, is approved by the affirmative vote of a majority of the directors present at a lawfully convened meeting and such action: (a) is in the usual and regular course of business of the Corporation; (b) is with, or for the benefit of, a related corporation, an organization with which the Corporation has the power to make donations; (c) is with, or for the benefit of, an officer or other employee of the Corporation or a subsidiary, including an officer or employee who is a director of the Corporation or a subsidiary, and may reasonably be expected, in the judgment of the Board of Directors, to benefit the Corporation; or (d) has been approved by the

affirmative vote of the holders of seventy-five percent (75%) of the Voting Stock, voting together as a single class. The loan, guarantee, or other assistance may be with or without interest and may be unsecured or may be secured in any manner that a majority of the Board of Directors approves, including, without limitation, a pledge of or other security interest in shares of the Corporation.

Section 12.02. Advances to Officers, Directors, and Employees.

The Corporation may, without a vote of the directors, advance money to its directors, officers, or employees to cover expenses that can reasonably be anticipated to be incurred by them in the performance of their duties and for which they would be entitled to reimbursement in the absence of an advance.

ARTICLE XIII: INDEMNIFICATION

Section 13.01. Directors and Officers

Section 13.01-a. Indemnity in Third-Party Proceedings. The Corporation shall indemnify its directors and officers in accordance with the provisions of this Section 13.01-a if the director or officer was or is a party to, or is threatened to be made a party to, any proceeding (other than a proceeding by or in the right of the Corporation to procure a judgment in its favor), against all expenses, judgments, fines and amounts paid in settlement, actually and reasonably incurred by the director or officer in connection with such proceeding if the director or officer acted in good faith and in a manner the director or officer reasonably believed was in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, the director or officer, in addition, had no reasonable cause to believe that the director's or officer's conduct was unlawful; provided, however, that the director or officer shall not be entitled to indemnification under this Section 13.01-a: (1) in connection with any proceeding charging improper personal benefit to the director or officer in which the director or officer is adjudged liable on the basis that personal benefit was improperly received by the director or officer unless and only to the extent that the court conducting such proceeding or any other court of competent jurisdiction determines upon application that, despite the adjudication of liability, the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, or (2) in connection with any proceeding (or part thereof) initiated by such person or any proceeding by such person against the Corporation or its directors, officers, employees or other agents unless: (A) such indemnification is expressly required to be made by law, (B) the proceeding was authorized by the Board of Directors, or (C) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the Delaware General Corporation Law.

Section 13.01-b. Indemnity in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify its directors and officers in accordance with the provisions of this Section 13.01-b if the director or officer was or is a party to, or is threatened to be made a party to, any proceeding by or in the right of the Corporation to procure a judgment in its favor, against all expenses actually and reasonably incurred by the director or officer in connection with the defense or settlement of such proceeding if the director or officer acted in good faith and in a manner the director or officer reasonably believed was in or not opposed to the best interests of the corporation; provided, however, that the director or officer shall not be entitled to indemnification under this Section 13.01-b: (1) in connection with any proceeding in which the director or officer has been adjudged liable to the Corporation unless and only to the extent that the court conducting such proceeding, or the Delaware Court of Chancery, determines

upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the director or officer is fairly and reasonably entitled to indemnification for such expenses as such court shall deem proper, or (2) in connection with any proceeding (or part thereof) initiated by such person or any proceeding by such person against the Corporation or its directors, officers, employees or other agents unless (A) such indemnification is expressly required to be made by law, (B) the proceeding was authorized by the Board of Directors, or (C) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the Delaware General Corporation Law.

Section 13.02. Employees and Other Agents

The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article XIII to directors and officers of the Corporation.

Section 13.03. Good Faith.

Section 13.03-a. For purposes of any determination under this Article XIII, a director or officer shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding to have had no reasonable cause to believe that his or her conduct was unlawful, if his or her action is based on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

1. one or more officers or employees of the Corporation whom the director or officer believed to be reliable and competent in the matters presented;

2. counsel, independent accountants or other persons as to matters which the director or officer believed to be within such person's professional or expert competence; or

3. with respect to a director, a committee of the Board of Directors upon which such director does not serve, as to matters within such committee's designated authority, which committee the director believes to merit confidence; so long as, in each case, the director or executive officer acts without knowledge that would cause such reliance to be unwarranted.

Section 13.03-b. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, that he had reasonable cause to believe that his or her conduct was unlawful.

Section 13.03-c. The provisions of this Section 13.03 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth by the Delaware General Corporation Law.

Section 13.04. Advances of Expenses

The Corporation shall pay the expenses incurred by its directors or officers in any proceeding (other than a proceeding brought for an accounting of profits made from the purchase and sale by the director or officer of securities of the corporation within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provision of any state statutory law or common law) in advance of the final disposition of the proceeding at the written request of the director or officer, if the director or officer: (a) furnishes the Corporation a written affirmation of the director's or officer's good faith belief that the director or officer is entitled to be indemnified under this Article XIII, and (b) furnishes the Corporation a written undertaking to repay the advance to the extent that it is ultimately determined that the director or officer is not entitled to be indemnified by the Corporation. Such undertaking shall be an unlimited general obligation of the director or officer but need not be secured. Advances pursuant to this Section 13.04 shall be made no later than 10 days after receipt by the Corporation of the affirmation and undertaking described in clauses (a) and (b) above, and shall be made without regard to the director's or officer's ability to repay the amount advanced and without regard to the director's or officer's ultimate entitlement to indemnification under this Article XIII. The Corporation may establish a trust, escrow account or other secured funding source for the payment of advances made and to be made pursuant to this Section 13.04 or of other liability incurred by the director or officer in connection with any proceeding.

Section 13.05. Enforcement

Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Article XIII shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the Corporation and the director or officer. Any director or officer may enforce any right to indemnification or advances under this Article XIII in any court of competent jurisdiction if: (a) the Corporation denies the claim for indemnification or advances, in whole or in part, or (b) the Corporation does not dispose of such claim within 45 days of request therefor. It shall be a defense to any such enforcement action (other than an action brought to enforce a claim for advancement of expenses pursuant to, and in compliance with, Section 13.01 of this Article XIII) that the director or officer is not entitled to indemnification under this Article XIII. However, except as provided in Section 13.12 of this Article XIII, the Corporation shall not assert any defense to an action brought to enforce a claim for advancement of expenses pursuant to Section 13.04 of this Article XIII if the director or officer has tendered to the Corporation the affirmation and undertaking required thereunder. The burden of proving by clear and convincing evidence that indemnification is not appropriate shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the director or officer has met the applicable standard of conduct nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that indemnification is improper because the director or officer has not met such applicable standard of conduct, shall be asserted as a defense to the action or create a presumption that the director or officer is not entitled to indemnification under this Article XIII or otherwise. The director's or officer's expenses incurred in connection with successfully establishing such person's right to indemnification or advances, in whole or in part, in any proceeding shall also be paid or reimbursed by the Corporation.

Section 13.06. Non-Exclusivity of Rights

The rights conferred on any person by this Article XIII shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office. The Corporation is authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

Section 13.07. Survival of Rights

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

Section 13.08. Insurance

To the fullest extent permitted by the Delaware General Corporation Law, the Corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Article XIII.

Section 13.09. Amendments

Any repeal or modification of this Article XIII shall only be prospective and shall not affect the rights under this Article XIII in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any director, officer, employee or agent of the Corporation.

Section 13.10. Savings Clause

If this Article XIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Article XIII that shall not have been invalidated, or by any other applicable law.

Section 13.11. Certain Definitions

For the purposes of this Article XIII, the following definitions shall apply:

Section 13.11-a. The term "PROCEEDING" shall include any threatened, pending or completed action, suit or proceeding, whether brought in the right of the Corporation or otherwise, and whether of a civil, criminal, administrative or investigative nature, in which the director or officer may be or may have been involved as a party, witness or otherwise, by reason of the fact that the director or officer is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement can be provided under this Article XIII.

Section 13.11-b. The term "EXPENSES" includes, without limitation thereto, expenses of investigations, judicial or administrative proceedings or appeals, attorney, accountant and other professional fees and disbursements and any expenses of establishing a right to indemnification under this Article XIII, but shall not include amounts paid in settlement by the director or officer or the amount of judgments or fines against the director or officer.

Section 13.11-c. References to "OTHER ENTERPRISE" include, without limitation, employee benefit plans; references to "FINES" include, without limitation, any excise taxes assessed on a person with respect to any employee benefit plan; references to "SERVING AT THE REQUEST OF THE Corporation" include, without limitation, any service as a director, officer, employee or agent which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or its beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "NOT OPPOSED TO THE BEST INTERESTS OF THE CORPORATION" as referred to in this Article XIII.

Section 13.11-d. References to "THE CORPORATION" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article XIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

Section 13.11-e. The meaning of the phrase "TO THE FULLEST EXTENT PERMITTED BY LAW" shall include, but not be limited to: (i) to the fullest extent authorized or permitted by any amendments to or replacements of the Delaware General Corporation Law adopted after the date of this Article XIII that increase the extent to which a corporation may indemnify its directors and officers, and (ii) to the fullest extent permitted by the provision of the Delaware General Corporation Law that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the Delaware General Corporation Law.

Section 13.12. Notification and Defense of Claim

As a condition precedent to indemnification under this Article XIII, not later than 30 days after receipt by the director or officer of notice of the commencement of any proceeding the director or officer shall, if a claim in respect of the proceeding is to be made against the Corporation under this Article XIII, notify the Corporation in writing of the commencement of the proceeding. The failure to properly notify the Corporation shall not relieve the Corporation from any liability which it may have to the director or officer otherwise than under this Article XIII. With respect to any proceeding as to which the director or officer so notifies the Corporation of the commencement:

Section 13.12-a. The Corporation shall be entitled to participate in the proceeding at its own expense.

Section 13.12-b. Except as otherwise provided in this Section 13.12, the Corporation may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense of the proceeding, with legal counsel reasonably satisfactory to the director or officer. The director or officer shall have the right to use separate legal counsel in the proceeding, but the Corporation shall not be liable to the director or officer under this Article XIII for the fees and expenses of separate legal counsel incurred after notice from the Corporation of its assumption of the defense, unless (1) the director or officer reasonably concludes that there may be a conflict of interest between the Corporation and the director or officer in the conduct of the defense of the proceeding, or (2) the Corporation does not use legal counsel to assume the defense of such proceeding. The Corporation shall not be entitled to assume the defense of any proceeding brought by or on behalf of the Corporation or as to which the director or officer has made the conclusion provided for in (1) above.

Section 13.12-c. If two or more persons who may be entitled to indemnification from the Corporation, including the director or officer seeking indemnification, are parties to any proceeding, the Corporation may require the director or officer to use the same legal counsel as the other parties. The director or officer shall have the right to use separate legal counsel in the proceeding, but the Corporation shall not be liable to the director or officer under this Article XIII for the fees and expenses of separate legal counsel incurred after notice from the Corporation of the requirement to use the same legal counsel as the other parties, unless the director or officer reasonably concludes that there may be a conflict of interest between the director or officer and any of the other parties required by the Corporation to be represented by the same legal counsel.

Section 13.12-d. The Corporation shall not be liable to indemnify the director or officer under this Article XIII for any amounts paid in settlement of any proceeding effected without its written consent, which shall not be unreasonably withheld. The director or officer shall permit the Corporation to settle any proceeding that the Corporation assumes the defense of, except that the Corporation shall not settle any action or claim in any manner that would impose any penalty or limitation on the director or officer without such person’s written consent.

Section 13.13. Exclusions

Notwithstanding any provision in this Article XIII, the Corporation shall not be obligated under this Article XIII to make any indemnification in connection with any claim made against any director or officer: (a) for which payment is required to be made to or on behalf of the director or officer under any insurance policy, except with respect to any excess amount to which the director or officer is entitled under this Article XIII beyond the amount of payment under such insurance policy; (b) if a court having jurisdiction in the matter finally determines that such indemnification is not lawful under any applicable statute or public policy; (c) in connection with any proceeding (or part of any proceeding) initiated by the director or officer, or any proceeding by the director or officer against the Corporation or its directors, officers, employees or other persons entitled to be indemnified by the Corporation, unless: (1) the Corporation is expressly required by law to make the indemnification; (2) the proceeding was authorized by the Board of Directors of the Corporation; or (3) the director or officer initiated the proceeding pursuant to Section 13.05 of this Article XIII and the director or officer is successful in whole or in part in such proceeding; or (d) for an accounting of profits made from the purchase and sale by the director or officer of securities of the Corporation within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provision of any state statutory law or common law.

Section 13.14. Subrogation

In the event of payment under this Article XIII, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the director or officer. The director or officer shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

ARTICLE XIV: DEFINITIONS AND USAGE

Whenever the context of these Bylaws requires, the plural shall be read to include the singular, and vice versa; and words of the masculine gender shall refer to the feminine gender, and vice versa; and words of the neuter gender shall refer to any gender.

<R>
The undersigned, Secretary of the Corporation, hereby certifies that the foregoing is a true and complete copy of the Corporation's Bylaws as amended effective April 10, 2001 and the same have not been modified and remain in full force and effect on the date of this certificate.
</R>

<R>
Dated: April 24, 2001.
</R>

<R>
/s/ Kathleen C. Hanrahan
</R>
Kathleen C. Hanrahan, Secretary

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Exhibit 4.3

VOID AFTER 5:00 P.M. PACIFIC TIME ON _____, 2006

WARRANTS TO PURCHASE COMMON STOCK

W-_____ _____Warrants

TASER INTERNATIONAL, INC.
CUSIP _____

THIS CERTIFIES THAT

or registered assigns, is the registered holder of the number of Warrants (the "Warrants") set forth above. Each Warrant entitles the holder thereof to purchase from TASER International, Inc., a corporation incorporated under the laws of the state of Delaware (the "Company"), subject to the terms and conditions set forth hereinafter and in the Warrant and Unit Agreement hereinafter more fully described (the "Warrant Agreement"), at any time on or before the close of business on _____, 2006 or, if such Warrant is redeemed as provided in the Warrant Agreement, at any time prior to the effective time of such redemption (the "Expiration Date"), one fully paid and non-assessable share of Common Stock of the Company (the "Common Stock") upon presentation and surrender of this Warrant Certificate, with the instructions for the registration and delivery of Common Stock filled in, at the stock transfer office in Glendale, California, of U.S. Stock Transfer Corporation, Warrant Agent of the Company (the "Warrant Agent") or of its successor warrant agent or, if there be no successor warrant agent, at the corporate offices of the Company, and upon payment of the Exercise Price (as defined in the Warrant Agreement) and any applicable taxes paid either in cash, or by certified or official bank check, payable in lawful money of the United States of America to the order of the Company. Each Warrant entitles the holder to purchase one share of Common Stock initially for one hundred ten percent (110%) of: two-thirds of the Initial Public Offering price of the Units (the "Exercise Price"). The number and kind of securities or other property for which the Warrants are exercisable are subject to further adjustment in certain events, such as mergers, splits, stock dividends, recapitalizations and the like, to prevent dilution. Upon 30 days notice, the Company may redeem any or all outstanding and unexercised Warrants at any time if the basic net income per share of Common Stock as confirmed by an audit conducted in accordance with generally accepted accounting principles applicable in the United States (which such audit may be conducted with respect to any fiscal year of the Company or any other 12-month period ending on the last day of a fiscal quarter of the Company, in the Company’s sole discretion), for an audited 12-month period preceding the date of such notice is equal to or greater than $1.00, at a price of $0.25 per Warrant. All Warrants not theretofore exercised or redeemed will expire on _____, 2006.

This Warrant Certificate is subject to all of the terms, provisions and conditions of the Warrant Agreement, dated as of _____, 2001 (the "Warrant Agreement"), between the Company and the Warrant Agent, to all of which terms, provisions and conditions the registered holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is incorporated herein by reference and made a part hereof and reference is made to the Warrant Agreement for a full description of the rights, limitations of rights, obligations, duties and immunities of the Warrant Agent, the Company and the holders of the Warrant Certificates. Copies of the Warrant Agreement are available for inspection at the stock transfer office of the Warrant Agent or may be obtained upon written request addressed to the Company at 7860 East McClain Drive, Suite 2, Scottsdale, Arizona 85260, Attention: Chief Financial Officer.

The Company shall not be required upon the exercise of the Warrants evidenced by this Warrant Certificate to issue fractions of Warrants, Common Stock or other securities, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Warrant Agreement.

In certain cases, the sale of securities by the Company upon exercise of Warrants would violate the securities laws of the United States, certain states thereof or other jurisdictions. The Company has agreed to use all commercially reasonable efforts to cause a registration statement to continue to be effective during the term of the Warrants with respect to such sales under the Securities Act of 1933, as amended, and to take such action under the laws of various states as may be required to cause the sale of securities upon exercise to be lawful. However, the Company will not be required to honor the exercise of Warrants if, in the opinion of the Board of Directors, upon advice of counsel, the sale of securities upon such exercise would be unlawful. In certain cases, the Company may, but is not required to, purchase Warrants submitted for exercise for a cash price equal to the difference between the market price of the securities obtainable upon such exercise and the exercise price of such Warrants.

This Warrant Certificate, with or without other Warrant Certificates, upon surrender to the Warrant Agent, any successor warrant agent or, in the absence of any successor warrant agent, at the corporate offices of the Company, may be exchanged for another Warrant Certificate or Certificates evidencing in the aggregate the same number of Warrants as the Warrant Certificate or Certificates so surrendered. If the Warrants evidenced by this Warrant Certificate shall be exercised in part, the holder hereof shall be entitled to receive upon surrender hereof another Warrant Certificate or Certificates evidencing the number of Warrants not so exercised.

No holder of this Warrant Certificate, as such, shall be entitled to vote, receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose whatever, nor shall anything contained in the Warrant Agreement or herein be construed to confer upon the holder of this Warrant Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof or give or withhold consent to any corporate action (whether upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any merger,

recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, conveyance or otherwise) or to receive notice of meetings or other actions affecting stockholders (except as provided in the Warrant Agreement) or to receive dividends or subscription rights or otherwise until the Warrants evidenced by this Warrant Certificate shall have been exercised and the Common Stock purchasable upon the exercise thereof shall have become deliverable as provided in the Warrant Agreement.

If this Warrant Certificate shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other class of stock purchasable upon the exercise of the Warrants evidenced by this Warrant Certificate are closed for any purpose, the Company shall not be required to make delivery of certificates for shares purchasable upon such transfer until the date of the reopening of said transfer books.

Every holder of this Warrant Certificate by accepting the same consents and agrees with the Company, the Warrant Agent, and with every other holder of a Warrant Certificate that:

(a) This Warrant Certificate is transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in the Warrant Agreement; and

(b) The Company and the Warrant Agent may deem and treat the person in whose name this Warrant Certificate is registered as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes whatever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Company shall not be required to issue or deliver any certificate for shares of Common Stock or other securities upon the exercise of Warrants evidenced by this Warrant Certificate until any tax which may be payable in respect thereof by the holder of this Warrant Certificate pursuant to the Warrant Agreement shall have been paid, such tax being payable by the holder of this Warrant Certificate at the time of surrender.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent.

WITNESS the facsimile signatures of the proper officers of the Company and its corporate seal.

Dated: _____ , 2001

TASER International, Inc.

By: _____
Patrick W. Smith,
Chief Executive Officer

Attest: _____
Secretary

Countersigned

U.S. Stock Transfer Corporation

By: _____
Authorized Officer

FORM OF ELECTION TO PURCHASE
(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO EXERCISE THE WARRANTS IN WHOLE OR IN PART)

To: TASER INTERNATIONAL, INC.

The undersigned Registered Holder ( )

_____
(Please insert Social Security or other identification number of Registered Holder)

hereby irrevocably elects to exercise the right of purchase represented by the within this Warrant Certificate for, and to purchase thereunder, _____ shares of Common Stock provided for therein and tenders payment herewith to the order of TASER INTERNATIONAL, INC. in the amount of $_____. The undersigned requests that certificates for such shares of Common Stock be issued as follows:

Name:_____

Address:_____

Deliver to:_____

Address:_____

and if said number of Warrants being exercised shall not be all the Warrants evidenced by this Warrant Certificate, that a new Certificate for the balance of such Warrants as well as the shares of Common Stock represented by this Warrant Certificate be registered in the name of, and delivered to, the Registered Holder at the address stated below:

Address:_____

Dated:_____, _____

Signature

_____
(Signature must conform in all respects to the name of Registered Holder as specified in the case of this Warrant Certificate in every particular, without alteration or any change whatever.)

Signature Guaranteed:

_____
The signature should be guaranteed by an eligible institution (Banks, Stockbrokers, Savings and Loan Association and Credit Union with membership in an approved signature Medallion Program), pursuant to S.E.C. Rule 17Ad-15.

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FORM OF ASSIGNMENT
(TO BE SIGNED ONLY UPON ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned Registered Holder ( )

_____
(Please insert
Social Security or other
identification number of
Registered Holder)

hereby sells, assigns and transfers unto

_____

_____

_____
(Please Print Name and Address including Zip Code)

Warrants evidenced by the within Warrant Certificate, and irrevocably constitutes and appoints

_____Attorney
to transfer this Warrant Certificate on the books of TASER International, Inc. with the full power of substitution in the premises.

Dated:_____, _____

Signature:

_____
(Signature must conform in all respects to the name of Registered Holder as specified on the face of this Unit Certificate in every particular, without alteration or any change whatsoever, and the signature must be guaranteed in the usual manner.)

Signature Guaranteed:

_____

The signature should be guaranteed by an eligible institution (Banks, Stockbrokers, Savings and Loan Association and Credit Union with membership in an approved signature Medallion Program), pursuant to S.E.C. Rule 17Ad-15.

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Exhibit 4.5

WARRANT AND UNIT AGREEMENT

TASER International, Inc., 7860 E. McClain Drive, Suite 2, Scottsdale, Arizona 85260, a Delaware corporation ("Company"), and US Stock Transfer Corporation, 1745 Gardena Avenue, Glendale, California, a _____ corporation ("Transfer Agent"), agree as follows:

1. PURPOSE. The Company proposes to publicly offer and issue in an initial public offering (the "Offering") _____ units ("Units"). Each Unit will entitle the registered holder of a Unit ("Unit Holder") to (i) one and one-half (1.5) shares of the Company's $0.00001 par value common stock ("Share") and (ii) one and one-half (1.5) warrants, each whole warrant permitting the purchase of one (1) Share ("Warrant").

2. WARRANTS. Each Warrant will entitle the registered holder of a Warrant ("Warrant Holder") to purchase from the Company one (1) Share at one hundred ten percent (110%) of: two-thirds of the Initial Public Offering price of the Units (the "Exercise Price"). A Warrant Holder may exercise all or any number of Warrants resulting in the purchase of a whole number of Shares.

3. EXERCISE PERIOD. The Warrants may be exercised at any time during the period commencing thirty (30) days after the effective date ("Offering Date") of the Offering ("Exercise Date") and ending at 3:00 p.m., Denver Colorado time on the fifth (5th) anniversary date of the closing of the Offering ("Expiration Date"), except as changed by Section 15 of this Agreement.

4. NON-DETACHABILITY. A Warrant Certificate (as defined below) may not be detached from a Share certificate contained in a Unit for at least thirty (30) days following the Offering Date. Until such time, a Warrant Certificate may be split up, combined, exchanged or transferred on the books of the Transfer Agent only together with a Share certificate. Paulson Investment Company, Inc. will then determine when the Units separate, after which the Shares and Warrants will trade separately.

5. CERTIFICATES. The Warrant certificates shall be in registered form only and shall be substantially in the form set forth in Exhibit A attached to this Agreement ("Warrant Certificate"). The Unit certificates shall be in registered form only and shall be substantially in the form set forth in Exhibit B attached to this Agreement ("Unit Certificate"). Warrant and Unit Certificates shall be signed by, or shall bear the facsimile signature of, the Chief Executive Officer, President or a Vice President of the Company and the Secretary or an Assistant Secretary of the Company. If any person, whose facsimile signature has been placed upon any Warrant or Unit Certificate or the signature of an officer of the Company, shall have ceased to be such officer before such Warrant or Unit Certificate is countersigned, issued and delivered, such Warrant or Unit Certificate shall be countersigned, issued and delivered with the same effect as if such person had not ceased to be such officer. Any Warrant or Unit Certificate may be signed by, or made to bear the facsimile signature of, any person who at the actual date of the preparation of such Warrant or Unit Certificate shall be a proper officer of the Company to sign such Warrant or Unit Certificate, even though such person was not such an officer upon the date of this Agreement.

6. ISSUANCE OF NEW CERTIFICATES. Notwithstanding any of the provisions of this Agreement or the several Warrant or Unit Certificates to the contrary, the Company may, at its option, issue new Warrant or Unit Certificates in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Exercise Price or the number or kind of shares purchasable under the several Warrant or Unit Certificates made in accordance with the provisions of this Agreement.

7. COUNTERSIGNING. Warrant and Unit Certificates shall be manually countersigned by the Transfer Agent and shall not be valid for any purpose unless so countersigned. The Transfer Agent hereby is authorized to countersign and deliver to, or in accordance with the instructions of, any Warrant or Unit Holder any Warrant or Unit Certificate, respectively, which is properly issued.

8. REGISTRATION OF TRANSFER AND EXCHANGES. The Transfer Agent will keep or cause to be kept books for registration of ownership or transfer of Warrant and Unit Certificates issued hereunder. Such registers shall show the names and addresses of the respective holders of the Warrant and Unit Certificates and the number of Warrants and Units evidenced by each such Warrant or Unit Certificate. Subject to the provisions of Section 4, the Transfer Agent shall from time to time register the transfer of any outstanding Warrant or Unit Certificate upon records maintained by the Transfer Agent for such purpose upon surrender of such Warrant or Unit Certificate to the Transfer Agent for transfer, accompanied by appropriate instruments of transfer in form satisfactory to the Company and the Transfer Agent and duly executed by the Warrant or Unit Holder or a duly authorized attorney. Upon any such registration of transfer, a new Warrant or Unit Certificate shall be issued in the name of and to the transferee and the surrendered Warrant or Unit Certificate shall be cancelled.

9. EXERCISE OF WARRANTS.

a. Any one Warrant or any multiple of one Warrant evidenced by any Warrant Certificate may be exercised on or after the Exercise Date and on or before the Expiration Date. A Warrant shall be exercised by the Warrant Holder by surrendering to the Transfer Agent the Warrant Certificate evidencing such Warrant with the exercise form on the reverse of such Warrant Certificate duly completed and executed and delivering to the Transfer Agent, by good check or bank draft payable to the order of the Company, the Exercise Price for each Share to be purchased. No fractional warrant may be exercised, but will be redeemed for cash equal to the current market value of such fractional warrant, as defined in Section 19 of this Warrant and Unit Agreement.

b. Upon receipt of a Warrant Certificate with the exercise form thereon duly executed together with payment in full of the Exercise Price (and an amount equal to any applicable taxes or government charges) for the Shares for which Warrants are then being exercised, the Transfer Agent shall requisition from any transfer agent for the Shares, and upon receipt shall make delivery of, certificates evidencing the total number of whole Shares for which Warrants are then being exercised in such names and denominations as are required for delivery to, or in accordance with the instructions of, the Warrant Holder. Such certificates for the Shares shall be deemed to be issued, and the person to whom such Shares are issued of record shall be deemed to have become a holder of record of such Shares, as of the date of the surrender of such Warrant Certificate and payment of the Exercise Price (and an amount equal to any applicable taxes or government

charges), whichever shall last occur, provided that if the books of the Company with respect to the Shares shall be deemed to be closed, the person to whom such Shares are issued of record shall be deemed to have become a record holder of such Shares as of the date on which such books shall next be open (whether before, on or after the Expiration Date). The Company covenants and agrees that it shall not cause its stock transfer books to be closed for a period of more than twenty (20) consecutive business days except upon consolidation, merger, sale of all of its assets, dissolution or liquidation or as otherwise provided by law.

c. In addition, if it is required by law and upon instruction by the Company, the Transfer Agent will deliver to each Warrant Holder a prospectus that complies with the provisions of Section 5 of the Securities Act, as amended, and the Company agrees to supply the Transfer Agent with a sufficient number of prospectuses to effectuate that purpose.

d. Any Warrant Certificate or Certificates may be exchanged at the option of the holder thereof for another Warrant Certificate or Certificates of different denominations, of like tenor and representing in the aggregate the same number of Warrants, upon surrender of such Warrant Certificate or Certificates, with the Form of Assignment duly filled in and executed, to the Transfer Agent, at any time or from time-to-time after the close of business on the date hereof and prior to the close of business on the Expiration Date. The Transfer Agent shall promptly cancel the surrendered Warrant Certificate or Certificates and deliver the new Warrant Certificate or Certificates pursuant to the provisions of this Section.

e. If less than all the Warrants evidenced by a Warrant Certificate are exercised upon a single occasion, a new Warrant Certificate for the balance of the Warrants not so exercised shall be issued and delivered to, or in accordance with, transfer instructions properly given by the Warrant Holder until the Expiration Date.

f. All Warrant Certificates surrendered upon exercise of the Warrants shall be cancelled.

g. Upon the exercise, or conversion of any Warrant, the Transfer Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all moneys received by the Transfer Agent for the purchase of securities or other property through the exercise of such Warrants.

h. Expenses incurred by the Transfer Agent while acting in the capacity as Transfer Agent, in accordance with this Agreement, will be paid by the Company. A detailed accounting statement relating to the number of shares exercised, names of registered Warrant Holder(s) and the net amount of exercise funds remitted will be given to the Company with the payment of each exercise amount.

10. REDEMPTION. The Warrants outstanding at the time of a redemption may be redeemed at the option of the Company, in whole or in part on a pro-rata basis, at any time if, at the time notice of such redemption is given by the Company as provided in subsection a. below, the basic net income per share of Common Stock as confirmed by an audit conducted in accordance with generally accepted accounting principles applicable in the United States (which such audit may be

conducted with respect to any fiscal year of the Company or any other 12-month period ending on the last day of a fiscal quarter of the Company, in the Company's sole discretion), for an audited 12-month period preceding the date of such notice is equal to or greater than $1.00, at a price of $0.25 per Warrant (the "Redemption Price"). On the redemption date (the "Redemption Date"), the holders of record of redeemed Warrants shall be entitled to payment of the Redemption Price upon surrender of such redeemed Warrants to the Company at the principal office of the Transfer Agent in Glendale, California.

a. Notice of redemption of Warrants shall be given at least thirty (30) days prior to the Redemption Date by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Transfer Agent and by first class mail to all of the holders of record of Warrants at their respective addresses appearing on the books or transfer records of the Company or such other address designated in writing by the holder of record to the Transfer Agent not less than forty (40) days prior to the Redemption Date.

b. From and after the Redemption Date, all rights of the Warrant Holders (except the right to receive the Redemption Price) shall terminate, but only if (i) no later than one day prior to the Redemption Date the Company shall have irrevocably deposited with the Transfer Agent as paying agent a sufficient amount to pay on the Redemption Date the Redemption Price for all Warrants called for redemption and (ii) the notice of redemption shall have stated the name and address of the Transfer Agent and the intention of the Company to deposit such amount with the Transfer Agent no later than one day prior to the Redemption Date.

c. The Transfer Agent shall pay to the holders of record of redeemed Warrants all monies received by the Transfer Agent for the redemption of Warrants to which the holders of record of such redeemed Warrants who shall have surrendered their Warrants are entitled.

d. Any amounts deposited with the Transfer Agent that shall be unclaimed after six (6) months after the Redemption Date may be withdrawn by the Company, and thereafter the holders of the Warrants called for redemption for which such funds were deposited shall look solely to the Company for payment. The Company shall be entitled to the interest, if any, on funds deposited with the Transfer Agent and the holders of redeemed Warrants shall have no right to any such interest.

e. If the Company fails to make a sufficient deposit with the Transfer Agent as provided above, the holder of any Warrants called for redemption may at the option of the holder (i) by notice to the Company declare the notice of redemption a nullity as to such holder, or (ii) maintain an action against the Company for the Redemption Price. If the holder brings such an action, the Company will pay reasonable attorneys' fees of the holder. If the holder fails to bring an action against the Company for the Redemption Price within sixty (60) days after the Redemption Date, the holder shall be deemed to have elected to declare the notice of redemption to be a nullity as to such holder and such notice shall be without any force or effect as to such holder. Except as otherwise specifically provided in this subsection e., a notice of redemption, once mailed by the Company, as provided in subsection a., shall be irrevocable.

11. TAXES. The Company will pay all taxes attributable to the initial issuance of Shares upon exercise of Warrants. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in any issue of Warrant or Unit Certificates or in the issue of any certificates of Shares in the name other than that of the Warrant or Unit Holder upon the exercise of any Warrant or Unit, as the case may be.

12. MUTILATED OR MISSING CERTIFICATES. If any Warrant or Unit Certificate is mutilated, lost, stolen or destroyed, the Company and the Transfer Agent may, on such terms as to indemnity or otherwise as they may in their discretion impose (which shall, in the case of a mutilated Warrant or Unit Certificate, include the surrender thereof), and upon receipt of evidence satisfactory to the Company and the Transfer Agent of such mutilation, loss, theft or destruction, issue a substitute Warrant or Unit Certificate, respectively, of like denomination or tenor as the Warrant or Unit Certificate so mutilated, lost, stolen or destroyed. Applicants for substitute Warrant or Unit Certificates shall comply with such other reasonable regulations and pay any reasonable charges as the Company or the Transfer Agent may prescribe.

13. SUBSEQUENT ISSUE OF CERTIFICATES. Subsequent to their original issuance, no Warrant or Unit Certificates shall be reissued except (i) such Certificates issued upon transfer thereof in accordance with Section 8 hereof, (ii) such Certificates issued upon any combination, split-up or exchange of Warrant or Unit Certificates pursuant to Section 8 hereof, (iii) such Certificates issued in replacement of mutilated, destroyed, lost or stolen Warrant or Unit Certificates pursuant to Section 12 hereof, (iv) Warrant Certificates issued upon the partial exercise of Warrant Certificates pursuant to Section 9 hereof, and (v) Warrant Certificates issued to reflect any adjustment or change in the Exercise Price or the number or kind of shares purchasable thereunder pursuant to Section 6 hereof. The Transfer Agent is hereby irrevocably authorized to countersign and deliver, in accordance with the provisions of said Sections 6, 8, 9 and 12, the new Warrant or Unit Certificates, as the case may be, required for purposes thereof, and the Company, whenever required by the Transfer Agent, will supply the Transfer Agent with Warrant and Unit Certificates duly executed on behalf of the Company for such purposes.

14. RESERVATION OF SHARES. For the purpose of enabling the Company to satisfy all obligations to issue Shares upon exercise of Warrants, the Company will at all times reserve and keep available free from preemptive rights, out of the aggregate of its authorized but unissued shares, the full number of Shares which may be issued upon the exercise of the Warrants. The Company covenants all shares which shall be so issuable, will upon issue be fully paid and nonassessable by the Company and free from all taxes, liens, charges and security interests with respect to the issue thereof. In the case of a Warrant exercisable solely for securities listed on a securities exchange or for which there are at least two (2) independent market makers, the Company may elect to redeem Warrants submitted to the Transfer Agent for exercise for a price equal to the difference between the aggregate low asked price, or closing price, as the case may be, of the securities for which such Warrant is exercisable on the date of such submission and the Exercise Price of such Warrants; in the event of such redemption, the Company will pay to the holder of such Warrants the above-described redemption price in cash within ten (10) business days after receipt of notice from the Transfer Agent that such Warrants have been submitted for exercise.

15. GOVERNMENTAL RESTRICTIONS. If any Shares issuable upon the exercise of Warrants require registration or approval of any governmental authority, the Company will use commercially reasonable efforts to secure such registration or approval and, to the extent practicable, take action in anticipation of and prior to the exercise of the Warrants necessary to permit a public offering of the securities underlying the Warrants during the term of this Agreement; provided that in no event shall such Shares be issued, and the Company shall have the authority to suspend the exercise of all Warrants, until such registration or approval shall have been obtained; but all Warrants, the exercise of which is requested during any such suspension, shall be exercisable at the Exercise Price. If any such period of suspension continues past the Expiration Date, all Warrants, the exercise of which have been requested on or prior to the Expiration Date, shall be exercisable upon the removal of such suspension until the close of business on the business day immediately following the expiration of such suspension.

16. ADJUSTMENTS OF NUMBER AND KIND OF SHARES PURCHASABLE AND EXERCISE PRICE. The number and kind of securities or other property purchasable upon exercise of a Warrant shall be subject to adjustment from time to time upon the occurrence, after the date hereof, of any of the following events:

a. In case the Company shall (i) pay a dividend in, or make a distribution of, shares of capital stock on its outstanding Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of such shares or (iii) combine its outstanding shares of Common Stock into a smaller number of such shares, the total number of shares of Common Stock purchasable upon the exercise of each Warrant outstanding immediately prior thereto shall be adjusted so that the holder of any Warrant Certificate thereafter surrendered for exercise shall be entitled to receive at the same aggregate Exercise Price the number of shares of capital stock (of one or more classes) which such holder would have owned or have been entitled to receive immediately following the happening of any of the events described above had such Warrant been exercised in full immediately prior to the record date with respect to such event. Any adjustment made pursuant to this subsection shall, in the case of a stock dividend or distribution, become effective as of the record date therefor and, in the case of a subdivision or combination, be made as of the effective date thereof. If, as a result of an adjustment made pursuant to this subsection, the holder of any Warrant Certificate thereafter surrendered for exercise shall become entitled to receive shares of two or more classes of capital stock of the Company, the Board of Directors of the Company, (whose determination shall be conclusive and shall be evidenced by a Board resolution filed with the Transfer Agent) shall determine the allocation of the adjusted Exercise Price between or among shares of such classes of capital stock.

b. In the event of a capital reorganization or a reclassification of the Common Stock (except as provided in subsection a. above or subsection e. below), any Warrant Holder, upon exercise of Warrants, shall be entitled to receive, in substitution for the Common Stock to which he would have become entitled upon exercise immediately prior to such reorganization or reclassification, the shares (of any class or classes) or other securities or property of the Company (or cash) that he would have been entitled to receive at the same aggregate Exercise Price upon such reorganization or reclassification if such Warrants had been exercised immediately prior to the record date with respect to such event; and in any such case, appropriate provision (as determined by the Board of Directors of the Company, whose determination shall be conclusive and shall be

evidenced by a certified Board resolution filed with the Transfer Agent) shall be made for the application of this Section with respect to the rights and interests thereafter of the Warrant Holders (including but not limited to the allocation of the Exercise Price between or among shares of classes of capital stock), to the end that this Section (including the adjustments of the number of shares of Common Stock or other securities purchasable and the Exercise Price thereof) shall thereafter be reflected, as nearly as reasonably practicable, in all subsequent exercises of the Warrants for any shares or securities or other property (or cash) thereafter deliverable upon the exercise of the Warrants.

c. Whenever the number of shares of Common Stock or other securities purchasable upon exercise of a Warrant is adjusted as provided in this Section, the Company will promptly file with the Transfer Agent a certificate signed by a Chairman of the Board or the Chief Executive Officer, the President or a Vice President of the Company and by the Secretary or an Assistant Secretary of the Company setting forth the number and kind of securities or other property purchasable upon exercise of a Warrant, as so adjusted, stating that such adjustments in the number or kind of shares or other securities or property conform to the requirements of this Section, and setting forth a brief statement of the facts accounting for such adjustments. Promptly after receipt of such certificate, the Company, or the Transfer Agent at the Company's request, will deliver, by first-class, postage prepaid mail, a brief summary thereof (to be supplied by the Company) to the registered holders of the outstanding Warrant Certificates; provided, however, that failure to file or to give any notice required under this subsection, or any defect therein, shall not affect the legality or validity of any such adjustments under this Section; and provided, further, that, where appropriate, such notice may be given in advance and included as part of the notice required to be given pursuant to Section 18 hereof.

d. In case of any consolidation of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger which does not result in any reclassification or change of the outstanding Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the corporation formed by such consolidation or merger or the corporation which shall have acquired such assets, as the case may be, shall execute and deliver to the Transfer Agent a supplemental warrant agreement providing that the holder of each Warrant then outstanding shall have the right thereafter (until the expiration of such Warrant) to receive, upon exercise of such Warrant, solely the kind and amount of shares of stock and other securities and property (or cash) receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock of the Company for which such Warrant might have been exercised immediately prior to such consolidation, merger, sale or transfer. Such supplemental warrant agreement shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section. The above provision of this subsection shall similarly apply to successive consolidations, mergers, sales or transfers.

The Transfer Agent shall not have any responsibility to determine the correctness of any provision contained in any such supplemental warrant agreement relating to either the kind or amount of shares of stock or securities or property (or cash) purchasable by holders of Warrant Certificates upon the exercise of their Warrants after any such consolidation, merger, sale or transfer or of any adjustment to be made with respect thereto, but subject to the provisions of Section 23 hereof, may

accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, a certificate of a firm of independent certified public accountants (who may be the accountants regularly employed by the Company) with respect thereto.

e. Irrespective of any adjustments in the number or kind of shares issuable upon exercise of Warrants, Warrant Certificates theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in the similar Warrant Certificates initially issuable pursuant to this Agreement.

f. The Company may retain a firm of independent public accountants of recognized standing, which may be the firm regularly retained by the Company, selected by the Board of Directors of the Company or the Executive Committee of said Board, and not disapproved by the Transfer Agent, to make any computation required under this Section, and a certificate signed by such firm shall, in the absence of fraud or gross negligence, be conclusive evidence of the correctness of any computation made under this Section.

g. For the purpose of this Section, the term "Common Stock" shall mean (i) the Common Stock or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time as a result of an adjustment made pursuant to this Section, the holder of any Warrant thereafter surrendered for exercise shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in this Section, and all other provisions of this Agreement, with respect to the Common Stock, shall apply on like terms to any such other shares.

h. The Company may, from time to time and to the extent permitted by law, reduce the exercise price of the Warrants by any amount for a period of not less than twenty (20) days. If the Company so reduces the exercise price of the Warrants, it will give not less than fifteen (15) days' notice of such decrease, which notice may be in the form of a press release, and shall take such other steps as may be required under applicable law in connection with any offers or sales of securities at the reduced price.

17. REDUCTION OF EXERCISE PRICE BELOW PAR VALUE. Before taking any action that would cause an adjustment pursuant to Section 16 hereof reducing the portion of the Exercise Price required to purchase one share of capital stock below the then par value (if any) of a share of such capital stock, the Company will use its best efforts to take any corporate action which, in the opinion of its counsel, may be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of such capital stock.

18. NOTICE TO WARRANT HOLDERS. In case the Company after the date hereof shall propose (i) to offer to the holders of Common Stock, generally, rights to subscribe to or purchase any additional shares of any class of its capital stock, any evidences of its indebtedness or assets, or any other rights or options or (ii) to effect any reclassification of Common Stock (other than a

reclassification involving merely the subdivision or combination of outstanding shares of Common Stock) or any capital reorganization, or any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or any sale, transfer or other disposition of its property and assets substantially as an entirety, or the liquidation, voluntary or involuntary dissolution or winding-up of the Company, then, in each such case, the Company shall file with the Transfer Agent and the Company, or the Transfer Agent on its behalf, shall mail (by first-class, postage prepaid mail) to all registered holders of the Warrant Certificates notice of such proposed action, which notice shall specify the date on which the books of the Company shall close or a record be taken for such offer of rights or options, or the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, other disposition, liquidation, voluntary or involuntary dissolution or winding-up shall take place or commence, as the case may be, and which shall also specify any record date for determination of holders of Common Stock entitled to vote thereon or participate therein and shall set forth such facts with respect thereto as shall be reasonably necessary to indicate any adjustments in the Exercise Price and the number or kind of shares or other securities purchasable upon exercise of Warrants which will be required as a result of such action. Such notice shall be filed and mailed in the case of any action covered by clause (i) above, at least ten (10) days prior to the record date for determining holders of the Common Stock for purposes of such action or, if a record is not to be taken, the date as of which the holders of shares of Common Stock of record are to be entitled to such offering; and, in the case of any action covered by clause (ii) above, at least twenty (20) days prior to the earlier of the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, other disposition, liquidation, voluntary or involuntary dissolution or winding-up is expected to become effective and the date on which it is expected that holders of shares of Common Stock of record on such date shall be entitled to exchange their shares for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, sale, transfer, other disposition, liquidation, voluntary or involuntary dissolution or winding-up. Failure to give any such notice or any defect therein shall not affect the legality or validity of any transaction listed in this Section.

19. NO FRACTIONAL WARRANTS, UNITS OR SHARES. The Company shall not be required to issue fractions of Warrants or Units upon the reissue of Warrants or Units, any adjustments as described in Section 16 or otherwise; but the Company in lieu of issuing any such fractional interest, shall adjust the fractional interest by payment to the Warrant or Unit Holder an amount, in cash, equal to the current market value of any such fraction or interest. If the total Warrants or Units surrendered by exercise would result in the issuance of a fractional Share, the Company shall not be required to issue a fractional Share but rather the resulting fractional interest shall be adjusted by payment in an amount, in cash, equal to the current market value of such fractional interest. The current market value for such fractional interest will be the market value of one whole interest multiplied by the fraction thereof.

20. RIGHTS OF WARRANT HOLDERS. No Warrant Holder, as such, shall have any rights of a shareholder of the Company, either at law or equity, and the rights of the Warrant Holders, as such, are limited to those rights expressly provided in this Agreement or in the Warrant Certificates. The Company and the Transfer Agent may treat the registered Warrant Holder in respect of any Warrant Certificates as the absolute owner thereof for all purposes notwithstanding any notice to the contrary.

21. RIGHT OF ACTION. All rights of action in respect to this Agreement are vested in the respective registered holders of the Warrant and Unit Certificates; and any registered holder of any Warrant or Unit Certificate, without the consent of the Transfer Agent or of any other holder of a Warrant or Unit Certificate, may, in his own behalf for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, his right to exercise the Warrants evidenced by such Warrant Certificate, for the purchase of shares of the Common Stock in the manner provided in the Warrant Certificate and in this Agreement.

22. AGREEMENT OF WARRANT AND UNIT HOLDERS. Every holder of a Warrant or Unit Certificate by accepting the same consents and agrees with the Company, the Transfer Agent and with every other holder of a Warrant or Unit Certificate, respectively, that:

a. The Warrant and Unit Certificates are transferable on the registry books of the Transfer Agent only upon the terms and conditions set forth in this Agreement; and

b. The Company and the Transfer Agent may deem and treat the person in whose name the Warrant or Unit Certificate is registered as the absolute owner of the Warrant or Unit, as the case may be, (notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or the Transfer Agent) for all purposes whatever and neither the Company nor the Transfer Agent shall be affected by any notice to the contrary.

23. TRANSFER AGENT. The Company hereby appoints the Transfer Agent to act as the agent of the Company and the Transfer Agent hereby accepts such appointment upon the following terms and conditions by all of which the Company and every Warrant and Unit Holder, by acceptance of his Warrants or Units, shall be bound:

a. Statements contained in this Agreement and in the Warrant and Unit Certificates shall be taken as statements of the Company. The Transfer Agent assumes no responsibility for the correctness of any of the same except such as describes the Transfer Agent or for action taken or to be taken by the Transfer Agent.

b. The Transfer Agent shall not be responsible for any failure of the Company to comply with any of the Company’s covenants contained in this Agreement or in the Warrant or Unit Certificates.

c. The Transfer Agent may consult at any time with counsel satisfactory to it (who may be counsel for the Company) and the Transfer Agent shall incur no liability or responsibility to the Company or to any Warrant or Unit Holder in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel, provided the Transfer Agent shall have exercised reasonable care in the selection and continued employment of such counsel.

d. The Transfer Agent shall incur no liability or responsibility to the Company or to any Warrant or Unit Holder for any action taken in reliance upon any notice, resolution, waiver,

consent, order, certificate or other paper, document or instrument believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

e. The Company agrees to pay to the Transfer Agent reasonable compensation for all services rendered by the Transfer Agent in the execution of this Agreement, to reimburse the Transfer Agent for all expenses, taxes and governmental charges and all other charges of any kind or nature incurred by the Transfer Agent in the execution of this Agreement and to indemnify the Transfer Agent and save it harmless against any and all liabilities, including judgments, costs and counsel fees, arising from the Transfer Agent's engagement under this Agreement except as a result of the Transfer Agent's negligence, bad faith or willful misconduct.

f. The Transfer Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more Warrant or Unit Holders shall furnish the Transfer Agent with reasonable security and indemnity for any costs and expenses which may be incurred in connection with such action, suit or legal proceeding, but this provision shall not affect the power of the Transfer Agent to take such action as the Transfer Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants or Units may be enforced by the Transfer Agent without the possession of any of the Warrant or Unit Certificates or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Transfer Agent shall be brought in its name as Transfer Agent, and any recovery of judgement shall be for the ratable benefit of the Warrant or Unit Holders as their respective rights or interest may appear.

g. The Transfer Agent and any shareholder, director, officer or employee of the Transfer Agent may buy, sell or deal in any of the Warrants, Units or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Transfer Agent under this Agreement. Nothing herein shall preclude the Transfer Agent from acting in any other capacity for the Company or for any other legal entity.

24. SUCCESSOR TRANSFER AGENT. Any legal entity into which the Transfer Agent may be merged or converted or with which it may be consolidated, or any legal entity resulting from any merger, conversion or consolidation to which the Transfer Agent shall be a party, or any legal entity succeeding to the corporate trust business of the Transfer Agent, shall be the successor to the Transfer Agent hereunder without the execution or filing of any paper or any further act of a party or the parties hereto provided such legal entity is eligible to be appointed under Section 25 below. In any such event or if the name of the Transfer Agent is changed, the Transfer Agent or such successor may adopt the countersignature of the original Transfer Agent and may countersign such Warrant or Unit Certificates either in the name of the predecessor Transfer Agent or in the name of the successor Transfer Agent.

25. CHANGE OF TRANSFER AGENT. The Transfer Agent may resign or be discharged by the Company from its duties under this Agreement by the Transfer Agent or the Company, as the case may be, giving notice in writing to the other, and by giving a date when such resignation or discharge shall take effect, which notice shall be sent at least thirty (30) days prior to the date so

specified. If the Transfer Agent shall resign, be discharged or shall otherwise become incapable of acting, the Company shall appoint a successor to the Transfer Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Transfer Agent or by any Warrant or Unit Holder or after discharging the Transfer Agent, then the Company agrees to perform the duties of the Transfer Agent hereunder until a successor Transfer Agent is appointed. Any successor Transfer Agent shall be a bank or a trust company, in good standing, organized under the laws of any state of the United States of America, having a combined capital and surplus of at least $4,000,000 at the time of its appointment as Transfer Agent. After appointment, the successor Transfer Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Transfer Agent without further act or deed, and the former Transfer Agent shall deliver and transfer to the successor Transfer Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for effecting the delivery or transfer. Failure to give any notice provided for in this Section, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Transfer Agent or the appointment of the successor Transfer Agent, as the case may be.

26. NOTICES. Any notice or demand authorized by this Agreement to be given or made by the Transfer Agent or by any Warrant or Unit Holder to or on the Company shall be sufficiently given or made if sent by mail, first class, certified or registered, postage prepaid, addressed (until another address is filed in writing by the Company with the Transfer Agent), as follows:

TASER International, Inc.
7860 E. McClain Drive, Suite 2
Scottsdale, Arizona 85260

Any notice or demand authorized by this Agreement to be given or made by any Warrant or Unit Holder or by the Company to or on the Transfer Agent shall be sufficiently given or made if sent by mail, first class, certified or registered, postage prepaid, addressed (until another address is filed in writing by the Transfer Agent with the Company), as follows:

US Stock Transfer Corporation
1745 Gardena Avenue
Glendale, California 91204

Any distribution, notice or demand required or authorized by this Agreement to be given or made by the Company or the Transfer Agent to or on the Warrant or Unit Holders shall be sufficiently given or made if sent by mail, first class, certified or registered, postage prepaid, addressed to the Warrant or Unit Holders at their last known addresses as they shall appear on the registration books for the Warrant or Unit Certificates maintained by the Transfer Agent.

27. SUPPLEMENTS AND AMENDMENTS. The Company and the Transfer Agent may from time to time supplement or amend this Agreement without the approval of any Warrant or Unit Holders in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other

provisions in regard to matters or questions arising hereunder which the Company and the Transfer Agent may deem necessary or desirable.

28. SUCCESSORS. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Transfer Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

29. TERMINATION. This Agreement shall terminate at the close of business on the Expiration Date or such earlier date upon which all Warrants have been exercised; provided, however, that if exercise of the Warrants is suspended pursuant to Section 15 and such suspension continues past the Expiration Date, this Agreement shall terminate at the close of business on the business day immediately following expiration of such suspension. The provisions of Section 23 shall survive such termination.

30. GOVERNING LAW. This Agreement and each Warrant and Unit Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of [California] and for all purposes shall be construed in accordance with the laws of said State.

31. BENEFITS OF THIS AGREEMENT. Nothing in this Agreement shall be construed to give any person or corporation other than the Company, the Transfer Agent and the Warrant and Unit Holders any legal or equitable right, remedy or claim under this Agreement, and this Agreement shall be for the sole and exclusive benefit of the Company, the Transfer Agent and the Warrant and Unit Holders.

32. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument.

33. INTEGRATION. As of the date hereof, this Agreement contains the entire and only agreement, understanding, representation, condition, warranty or covenant between the parties hereto with respect to the matters herein, supersedes any and all other agreements between the parties hereto relating to such matters, and may be modified or amended only by a written agreement signed by both parties hereto pursuant to the authority granted by Section 27.

34. DESCRIPTIVE HEADINGS. The descriptive headings of the Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Date: _____, 2001

TASER International, Inc.,
a Delaware corporation

By:_____
Its Chief Executive Officer

SEAL

ATTEST:

_____
Its Secretary

US Stock Transfer Corporation,
a _____ corporation

By:_____
Its Vice President

SEAL

ATTEST:

_____
Its Secretary

EXHIBIT A
[WARRANT CERTIFICATE]

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EXHIBIT B
[UNIT CERTIFICATE]

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Exhibit 10.15

[TASER INTERNATIONAL LETTERHEAD]

PROMISSORY NOTE

Amount of Note ($): $75,000 Cash
City: Scottsdale, State: Arizona
Date: July 1, 1999

FOR VALUE RECEIVED the undersigned jointly and severally promise(s) to pay to the order of:
Malcolm Sherman, currently residing in Scottsdale, Arizona
the principal sum of:
Seventy-Five thousand & no/100 ($75,000.00) dollars together with interest thereon from date at the rate of:
9.18% Per Annum
until maturity, said principal and interest shall be paid in 24 equal monthly payments of $3,757.37, beginning on August 15, 1999 with the last payment submitted on July 15, 2001. (Please see attached Loan Amortization).

Each maker and endorser severally waives demand, protest and notice of maturity, non-payment or protest and all requirements necessary to hold each of them liable as makers and endorsers and, should litigation be necessary to enforce this note, each maker and endorser waives trial by jury and consents to the personal jurisdiction and venue of a court of subject matter jurisdiction located in the State of Arizona, and County of Maricopa.

Each maker and endorser further agrees, jointly and severally, to pay all costs of collection, including a reasonable attorney's fee in case the principal of this note or any payment on the principal or any interest thereon is not paid at the respective maturity thereof, or in case it becomes necessary to protest the security hereof, whether suit be brought or not.

This note is to be construed and enforced according to the laws of the State of Arizona; upon default in the payment of principal and/or interest when due, the whole sum of principal and interest remaining unpaid shall, at the option of the holder, become immediately due and payable and it shall accrue interest at the highest rate allowable by law, or, if no highest rate is otherwise indicated, at ten (10%) percent, from the date of default.

Default shall include, but not be limited to non-payment within ten (10) days from the due date set out herein.

Unless specifically disallowed by law, should litigation arise hereunder, service of process therefore may be obtained through certified mail, return receipt requested; the parties hereto waiving and all rights they may have to object to the method by which service was perfected.

/s/MWS
/s/TPS

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Taser International, Inc. herein acknowledges and agrees to the following, regarding the herein described Promissory Note.

A. The monies being borrowed are to secure tooling and equipment for that product as described in the enclosed attachment, marked "A" and listed as "Steman International Procurement, Quotation No: 98Q01-1-AT," Taser International, Inc. purchase order numbers: 021025-00, 021026-00, 021027-00, 021028-00, 021024-00 additionally known as "The Advanced Taser." Additional components as secured by Taser International, Inc. to complete the production of this product are included in the UCC filing and are described as electrical components, finished product or packaging.

B. Taser International, Inc. agrees to the tooling and components as purchased by the funds of this Promissory Note being subject to a UCC filing in favor of Malcolm W. Sherman i.e., lender. Said UCC filing to be valid for the full period of the listed payment schedule. Taser International, Inc. agrees to the UCC filing of this lien and its permission is granted for a "floating lien" to be issued to Malcolm W. Sherman.

C. Taser International, Inc. agrees and acknowledges that they have no right to sell, transfer, assign, sublease or encumber the equipment or this agreement or material covered under this agreement.

D. All cost relative to the filing of the above listed UCC filings are to be born by Taser International, Inc.

All matters pertinent to this Agreement (including its interpretation, application, validity, performance and breech), shall be governed by, construed and enforce in accordance with the laws of the State of Arizona. The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in Maricopa County, State of Arizona. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date of the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

TASER INTERNATIONAL, INC.

Corporation

/s/ Malcolm W. Sherman

Payee - Signature

M. W. Sherman

Payee Name Printed

By: /s/ Patrick Smith

President - Signature

Patrick Smith

President

Corporate Seal
[Corporate Seal]

Attest: /s/ Thomas P. Smith

Treasurer - Signature

Thomas P. Smith

Treasurer
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Exhibit 10.16

[TASER INTERNATIONAL LETTERHEAD]

May 26, 2000

Malcolm Sherman
9068 E. Hillery Dr.
Scottsdale, AZ 85260

Dear Malcolm,

This letter is to confirm our previous discussions regarding your pending retirement as a full time employee of TASER International.

- As we discussed, we would like you to work directly with Tom Smith to train him to maintain the current export customer base during the time between now and your formal retirement on June 30, 2000.

- The company will continue to pay your normal salary and car allowance up through June 30, although your work schedule between now and that time will be at your discretion in order to effectively train Tom and close any pending deals.

- After June 30, the company will pay your vacation time of 4 weeks in the month of July. These payments will be made on a biweekly basis concurrent with our normal payroll.

- Your outstanding balance of non-reimbursed expenses (approximately $30,000) will be repaid in full on a biweekly basis starting on August 15. These payments will be of the same amount as your current salary plus car allowance, paid on a biweekly basis concurrent with our payroll disbursements.

- You will be asked to continue to serve on the board of directors and as an active significant shareholder. As you are aware, we do not remunerate our board members with cash compensation. However, the company will extend your current stock options (20,000 shares) for an additional 5 years after your formal retirement (i.e. Expiration date of 7/1/2005). All of these options shall be considered vested as of June 30, 2000 if they have not already vested prior to that time.

- Further, the company shall work with you as an independent contractor (effective May 27th, 2000) in certain foreign countries. Specifically, you shall be considered the exclusive foreign agent for the countries of:

  - India
  - Nepal
  - Sri Lanka

PWS:/s/PWS MWS:/s/MWS
--- ---

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- BANGLADESH
- UKRAINE
- JORDAN
- ISRAEL

For a period of 12 months (i.e. Through June 30, 2001), these countries shall be reserved for you, operating as an independent contractor, to close an exclusive distribution deal. You will be paid a 10% commission for all sales in these countries for the period of time that you remain the exclusive agent. This 10% commission shall not include the $20,000 deposit already received from Jordan, but shall include any additional sums received from the distributor in Jordan. Commissions will be paid to Sherman as payments are received by TASER International regardless of shipping dates as listed on purchase orders. Sales prices offered to Sherman during the course of his appointment as "exclusive agent" shall be equal to the best of prices offered to any other exclusive agreement granted by the company. In those instances which requires overages in billing, i.e. over the export selling price of TASER, these amount are to be forwarded to third parties for "commissions". TASER International, Inc, Agrees to forward via wire transfer or company check to such accounts as directed upon instructions from Sherman after these funds have been secured. Sherman’s 10% commission is based on the net product prices as given to Sherman by TASER (less freight and miscellaneous charges). Once payment of commissions or overages has been remitted as instructed by Sherman, TASER shall be released of all liability associated with the specific transactions.

In order to maintain your exclusive agency for these areas, the following performance criteria must be met (the numbers in each column represent the number of ADVANCED TASERs sold within the territory):

<Table>
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Country	3/30 2001	3/30 2002	3/30 2003	3/30 2004	3/30 2005	3/30 2006
<S>	<C>	<C>	<C>	<C>	<C>	<C>
India	500	600	720	864	1036	1244
Ukraine	300	360	432	518	622	748
Sri Lanka	100	120	144	172	208	248
Bangladesh	200	240	288	346	414	498
Nepal	50	60	72	86	104	124
Jordan	200	240	288	346	414	498
Israel	200	240	288	346	414	498

</Table>

The sales in each column represent sales in the 12 calendar months proceeding the date atop the column. Should sales not meet or exceed this number, the exclusivity will expire without notice and the company will have the option to pursue other sales opportunities in those markets without further compensation due.

All inquiries from these territories will be forwarded to Sherman directly, and no pricing information shall be given to inquiries without Sherman’s prior consent.

- Under the terms of this representation, you will be responsible for all travel and other related expense for you to develop these markets. This shall include telephone

<PAGE> 3

charges, cellular air time and all other related incidental expenses. We will, of course, support your efforts with reasonable collateral materials. Although you will remain on the payroll for the month of June as an employee, any sales in these territories (as listed above) beyond the $20,000 deposit already received from Jordan shall be treated as commissioned sales in your relationship as an independent contractor.

- For purposes of supporting your role as a sales agent in the above listed countries, you may continue to use the title of "Director of Sales and Marketing." But this exception is FOR THOSE TERRITORIES ONLY. Accordingly, you may use your existing business cards in conjunction with these countries.

- Any potential business outside the scope of countries listed in this agreement, including any initiated by distributors in the countries listed within this document (specifically: India, Nepal, Sri Lanka, Bangladesh, Ukraine, Jordan and Israel), must be approved by TASER International in advance. The company may accept or reject any offers for additional countries at its sole discretion. The company has current prospects in Egypt and other countries in the Middle East and shall pursue those prospects directly.

- Effective May 27th, you will be operating as an independent sales representative and independent contractor in relation to these foreign sales activities. You will also be responsible for ensuring that all distribution agreements in those countries comply with US export law and relevant laws concerning foreign commerce.

- Although you will remain a member of our board of directors, any commitments on behalf of the company subsequent to the date of this letter must be approved, and joint signed by either Tom or Rick Smith as active officers in the company.

- All foreign orders shall be prepaid prior to shipment.

- In the event the company is going to go public through an IPO, be acquired by another entity, or raise a significant amount of capital to fund operations, the company shall have the right to buy-out the exclusivity provisions outlined above by a single payment equivalent to 6 months' historical commissions.

- I trust that the above accurately memorializes our discussion of yesterday. Should a disagreement arise over any of the provisions relating to your retirement, or the subsequent sales representation outlined above, we shall first sit over a beer and work it out. If this is unsuccessful, both parties (TASER International and Malcolm Sherman) hereby agree that any disputes shall be settled in binding arbitration under the rules of the American Arbitration Association. Specifically, this agreement sets forth the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersedes all other representations and understandings both written and oral. This agreement is drafted under the laws of the state of Arizona, and the venue for any legal recourse shall take place under laws as written in Arizona, and the venue for any legal recourse shall take place under these laws and be adjudicated within its jurisdiction. Further, the parties agree that any controversy or claim arising out of, or relating to, this contract, or the breach thereof, shall be settled by arbitration in accordance with the rules of the American Arbitration

Association in the state of Arizona, USA under their auspices and the parties agree to have any dispute heard and adjudicated under these rules in the state of Arizona USA and both parties agree to be bound by the decision of the arbitrator and to pay their proportionate fees as required under the rules of the association and judgment upon the award rendered by the arbitrator(s) may be entered into any court having jurisdiction thereof.

- This agreement may be amended or modified only in writing, signed in advance by the parties hereto or their designated representatives. This agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns.

- This memorandum outlines all terms related to your pending retirement, and the parties agree that any and all documents and or agreements entered into or/of prior date to this agreement are herein cancelled and mutually abrogated by the parties.

- This memorandum outlines all terms related to your pending retirement, and the parties hereby mutually release each other from any and all claims and/or obligations related to your employment as Director of Sales and Marketing for TASER International other than those obligations outlined herein. Pre-existing financial obligations currently owed to you (such as your salary, vacation pay, notes payable and accrued expenses) shall survive this agreement in their current form.

- TASER agrees to pay Sherman all outstanding balances owed as outlined above regardless and excluded from the releases in the preceding paragraph. These expenses will carry an effective interest rate of 10% per annum, accrued monthly on the unpaid balance only, until the entire principal and accrued interest is paid in full. Such interest shall be calculated from the beginning date at which the expenses were outstanding (i.e. the average monthly balance). However, any prior financing charges will be applied as credits against the interest owed.

- Regarding office space, TASER will make temporary office space available through the end of July, 2000. After that time, the company will plan to redistribute the use of space within our offices. Further, TASER will make partial secretarial support available for preparation of formal letters and contracts in conjunction with TASER sales for those territories assigned to Sherman as a part of this contract only.

Malcolm, I've truly enjoyed the past 6 years together. I've grown tremendously working with you. I wish you nothing but the best and hope you find more time over the coming months and years to take some well-deserved personal time.

Sincerely,		Understood and Agreed,	
/s/ Rick W. Smith	5/26/2000	/s/ Malcolm W. Sherman	5/26/2000
Rick W. Smith President, TASER International	date	Malcolm W. Sherman	date

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[SILICON VALLEY BANK LETTERHEAD]

IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVB0IIS3615

DATE: APRIL 13, 2001

BENEFICIARY:
TASER INTERNATIONAL, INC.
7860 E. MCCLAIN DRIVE, SUITE 2
SCOTTSDALE, AZ 85260
ATTN: KATHY HANRAHAN, CONTROLLER
(480) 905-2012

APPLICANT:
BRUCE R. CULVER & DONNA T. CULVER
6592 E. OAK SPRING DRIVE
OAK PARK, CA 91377
(818) 991-9950

AMOUNT: US$500,000.00 (FIVE HUNDRED THOUSAND AND 00/100 U.S. DOLLARS)

EXPIRATION DATE: DECEMBER 31, 2001

LOCATION: AT OUR COUNTERS IN SANTA CLARA, CALIFORNIA

DEAR SIR/MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVB0IIS3615 IN YOUR FAVOR AVAILABLE BY YOUR DRAFTS DRAWN ON US AT SIGHT AND ACCOMPANIED BY THE FOLLOWING DOCUMENTS:

1. THE ORIGINAL OF THIS LETTER OF CREDIT AND ALL AMENDMENT(S), IF ANY.

PARTIAL DRAWS ARE ALLOWED. THIS LETTER OF CREDIT MUST ACCOMPANY ANY DRAWINGS HEREUNDER FOR ENDORSEMENT OF THE DRAWING AMOUNT AND WILL BE RETURNED TO THE BENEFICIARY UNLESS IT IS FULLY UTILIZED.

DRAFT(S) AND DOCUMENTS MUST INDICATE THE NUMBER AND DATE OF THIS LETTER OF CREDIT.

DOCUMENTS MUST BE FORWARDED TO US BY OVERNIGHT DELIVERY SERVICE TO: SILICON VALLEY BANK, 3003 TASMAN DRIVE, SANTA CLARA CA 95054, ATTN: INTERNATIONAL DIVISION.

WE HEREBY AGREE WITH THE DRAWERS, ENDORSERS AND BONAFIDE HOLDERS THAT THE DRAFTS DRAWN UNDER AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT SHALL BE DULY HONORED UPON PRESENTATION TO THE DRAWEE, IF NEGOTIATED ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.
</R>

[SILICON VALLEY BANK LETTERHEAD]

IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVB011S3615

DATE: APRIL 13, 2001

EXCEPT AS EXPRESSLY STATED HEREIN THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500.

/s/ Danny J. Rowan	/s/ Dawn Y. Shinsato
AUTHORIZED SIGNATURE	AUTHORIZED SIGNATURE
DANNY J. ROWAN	DAWN Y. SHINSATO

March 30, 2001

Board of Directors
TASER, International, Inc.
7860 East McClain Drive, Suite 2
Scottsdale, Arizona 85260-1627

Letter of Support

Gentlemen:

<R>
The undersigned Phillips W. Smith and Bruce R. Culver are directors of TASER International, Inc., a Delaware corporation (the "Company"). Through loans, advances, provisions of guarantees, and other arrangements, we have from time-to-time supported financially and otherwise the business of the Company.
</R>

We agree, by this letter, to continue to support the Company by establishing an irrevocable, standby letter of credit issued by a bank of recognized standing in an amount not less than $500,000. The letter of credit is intended to provide additional financial resources on which the Company may rely in the event of its suffering a working capital deficit or otherwise. Such letter of credit may be drawn upon by the Company at any time prior to December 31, 2001 upon presentation to the bank of a resolution validly adopted by the Board of Directors of the Company confirming a determination by the Board of Directors of the Company's need for additional funds and electing to draw upon such letter of credit.

In consideration of this letter of support and the provision of the letter of credit, the Company shall pay each of us $10,000, and in the event of a draw upon the letter of credit, enter into commercially reasonable arrangements for the repayment to us of amounts so drawn.

If the foregoing accurately reflects our understanding, please so indicate by signing the enclosed copy of this letter and returning it to us.

Very truly yours,

/s/ Phillips W. Smith

Phillips W. Smith

/s/ Bruce R. Culver

Bruce R. Culver

Agreed and accepted
this 30th day of March 2001.

TASER International, Inc.

/s/ Patrick W. Smith

Patrick W. Smith
Chief Executive Officer and Director

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Exhibit 10.18

[TASER INTERNATIONAL(R) LOGO]

<R>
7339 East Evans Road - Scottsdale, AZ - 85280 - USA - (480) 991-0791 -
Fax (480) 991-0791
</R>

AMENDMENT TO PROMISSORY NOTE(S)

Note Balance: _____
City/State: Scottsdale, Arizona
Date of Amendment: 3/30/01

This Amendment No. __ to the Original Loans and Security Agreement (this "Amendment") is made as of March 30, 2001 by and between TASER International Inc. ("Borrower") and _____ ("Lender").

Borrower and Lender are parties to, among other documents, a Promissory Note agreement as of _____ (date of initial investment). Borrower and Lender desire to amend the Promissory Notes in accordance with the following terms.

NOW THEREFORE, Borrower and Lender agree as follows:

4. The Maturity Dates are hereby amended to July 1, 2002. With an additional provision that the company may at its discretion, extend the maturity date 2 consecutive terms of 12 months each to cover working capital shortfalls.

Unless otherwise defined, all other terms specified in the Promissory Notes shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date above written.

Borrower:	Lender:
TASER International Inc.	
By: /s/ Patrick W. Smith _____	_____
Name: Patrick W. Smith	Name:

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Exhibit 10.19

LOAN AND SECURITY AGREEMENT
TASER INTERNATIONAL, INC.

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THIS LOAN AND SECURITY AGREEMENT (this "Agreement") dated April 26, 2001, between SILICON VALLEY BANK ("Bank"), whose address is 3003 Tasman Drive, Santa Clara, California 95054 with a loan production office located at 4455 E. Camelback Road, Suite E-290, Phoenix, Arizona 85018 and TASER INTERNATIONAL, INC. ("Borrower"), whose address is 7860 East McClain Drive, Suite 2, Scottsdale, AZ 85260 provides the terms on which Bank will lend to Borrower and Borrower will repay Bank. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement will be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation," in this or any Loan Document.

2 LOAN AND TERMS OF PAYMENT

2.1 PROMISE TO PAY.

Borrower promises to pay Bank the unpaid principal amount of all Credit Extensions and interest on the unpaid principal amount of the Credit Extensions.

2.1.1 REVOLVING ADVANCES.

(a) Bank will make Advances not exceeding the Committed Revolving Line. Amounts borrowed under this Section may be repaid and reborrowed during the term of this Agreement.

(b) To obtain an Advance, Borrower must notify Bank by facsimile or telephone by 12:00 p.m. Pacific time on the Business Day the Advance is to be made. Borrower must promptly confirm the notification by delivering to Bank the Payment/Advance Form attached as Exhibit B. Bank will credit Advances to Borrower's deposit account. Bank may make Advances under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee. Borrower will indemnify Bank for any loss Bank suffers due to such reliance.

(c) The Committed Revolving Line terminates on the Revolving Maturity Date, when all Advances are immediately payable.

(d) Bank's obligation to lend the undisbursed portion of the Obligations will terminate if, in Bank's sole discretion, there has been a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations, or there has been any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Bank prior to the execution of this Agreement.

2.2 INTEREST RATE, PAYMENTS.

(a) Interest Rate. Advances accrue interest on the outstanding principal balance at a per annum rate of 1 percentage point above the Prime Rate. After an Event of Default, Obligations accrue interest at 5 percent above the rate effective immediately before the Event of Default. The interest rate increases or decreases when the Prime Rate changes. Interest is computed on a 360 day year for the actual number of days elapsed.

(b) Payments. Interest due on the Committed Revolving Line is payable on the last day of each month. Bank may debit any of Borrower's deposit accounts including Account Number _____ for principal and interest payments owing or any amounts Borrower owes

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Bank. Bank will promptly notify Borrower when it debits Borrower's accounts. These debits are not a set-off. Payments received after 12:00 noon Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest accrue.

2.3 FEES.

Borrower will pay:

(a) Facility Fee. A fully earned, non-refundable Facility Fee of $45,000 due no later than May 15, 2001; and

(b) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and reasonable expenses) incurred through and after the date of this Agreement, are payable when due.

3 CONDITIONS OF LOANS

3.1 CONDITIONS PRECEDENT TO INITIAL ADVANCE.

Bank's obligation to make the initial Advance is subject to the condition precedent that it receive the agreements, documents and fees it requires.

3.2 CONDITIONS PRECEDENT TO ALL ADVANCES.

Bank's obligations to make each Advance, including the initial Advance, is subject to the following:

(a) timely receipt of any Payment/Advance Form; and

<R>
(b) the representations and warranties in Section 5 must be materially true on the date of the Payment/Advance Form and on the effective date of each Advance and no Event of Default may have occurred and be continuing, or result from the Advance. Each Advance is Borrower's representation and warranty on that date that the representations and warranties of Section 5 remain true.
</R>

4 CREATION OF SECURITY INTEREST

4.1 GRANT OF SECURITY INTEREST.

Borrower grants Bank a continuing security interest in all presently existing and later acquired Collateral to secure all Obligations and performance of each of Borrower's duties under the Loan Documents. Except for Permitted Liens, any security interest will be a first priority security interest in the Collateral. Bank may place a "hold" on any deposit account pledged as Collateral. If this Agreement is terminated, Bank's lien and security interest in the Collateral will continue until Borrower fully satisfies its Obligations.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 DUE ORGANIZATION AND AUTHORIZATION.

Borrower and each Subsidiary is duly existing and in good standing in its state of formation and qualified and licensed to do business in, and in good standing in, any state in which

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the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

The execution, delivery and performance of the Loan Documents have been duly authorized, and do not conflict with Borrower's formation documents, nor constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which or by which it is bound in which the default could reasonably be expected to cause a Material Adverse Change.

5.2 COLLATERAL.

Borrower has good title to the Collateral, free of Liens except Permitted Liens. All Inventory is in all material respects of good and marketable quality, free from material defects.

5.3 LITIGATION.

Except as shown in the Schedule, there are no actions or proceedings pending or, to the knowledge of Borrower's Responsible Officers, threatened by or against Borrower or any Subsidiary in which a likely adverse decision could reasonably be expected to cause a Material Adverse Change.

5.4 NO MATERIAL ADVERSE CHANGE IN FINANCIAL STATEMENTS.

All consolidated financial statements for Borrower, and any Subsidiary, delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.5 SOLVENCY.

The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 REGULATORY COMPLIANCE.

Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to cause a Material Adverse Change. None of Borrower's or any Subsidiary's properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each Subsidiary has timely filed all required tax returns and paid, or made adequate provision to pay, all material taxes, except those being contested in good faith with adequate reserves under GAAP. Borrower and each Subsidiary has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

5.7 SUBSIDIARIES.

Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 FULL DISCLOSURE.

No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank (taken together with all such written certificates and written statements to Bank) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading. Bank recognizes that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected and forecasted results.

6 AFFIRMATIVE COVENANTS

Borrower will do all of the following for so long as Bank has an obligation to lend, or there are outstanding Obligations:

6.1 GOVERNMENT COMPLIANCE.

Borrower will maintain its and all Subsidiaries' legal existence and good standing in its jurisdiction of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to cause a material adverse effect on Borrower's business or operations. Borrower will comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Borrower's business or operations or would reasonably be expected to cause a Material Adverse Change.

6.2 FINANCIAL STATEMENTS, REPORTS, CERTIFICATES.

(a) Borrower will deliver to Bank: (i) as soon as available, but no later than 30 days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during the period certified by a Responsible Officer and in a form acceptable to Bank; (ii) as soon as available, but no later than 90 days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank; (iii) a prompt report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of $100,000 or more; and (iv) budgets, sales projections, operating plans or other financial information Bank reasonably requests.

(b) Allow Bank to audit Borrower's Collateral at Borrower's expense. Such audits will be conducted no more often than every year unless an Event of Default has occurred and is continuing.

6.3 INVENTORY; RETURNS.

Borrower will keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its account debtors will follow Borrower's customary practices as they exist at execution of this Agreement. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims, that involve more than $50,000.

6.4 TAXES.

Borrower will make, and cause each Subsidiary to make, timely payment of all material federal, state, and local taxes or assessments (other than taxes and assessments which Borrower is contesting in good faith, with adequate reserves maintained in accordance with GAAP) and will deliver to Bank, on demand, appropriate certificates attesting to the payment.

6.5 INSURANCE.

Borrower will keep its business and the Collateral insured for risks and in amounts standard for Borrower's industry, and as Bank may reasonably request. Insurance policies will be in a form, with companies, and in amounts that are satisfactory to Bank in Bank's reasonable discretion. All property policies will have a lender's loss payable endorsement showing Bank as an additional loss payee and all liability policies will show the Bank as an additional insured and provide that the insurer must give Bank at least 20 days notice before canceling its policy. At Bank's request, Borrower will deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy will, at Bank's option, be payable to Bank on account of the Obligations.

6.6 PRIMARY ACCOUNTS.

Borrower will maintain its primary depository and operating accounts with Bank.

6.7 FURTHER ASSURANCES.

Borrower will execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement.

7 NEGATIVE COVENANTS

Borrower will not do any of the following without Bank's prior written consent, which will not be unreasonably withheld, for so long as Bank has an obligation to lend or there are any outstanding Obligations:

7.1 DISPOSITIONS.

Convey, sell, lease, transfer or otherwise dispose of (collectively "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (i) of Inventory in the ordinary course of business; (ii) of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; or (iii) of worn-out or obsolete Equipment.

7.2 CHANGES IN BUSINESS, OWNERSHIP, MANAGEMENT OR BUSINESS LOCATIONS.

Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto or have a material change in its ownership or management of greater than 25% (other than by the sale of Borrower's equity securities in a public offering or to venture capital investors so long as Borrower identifies the venture capital investors prior to the closing of the investment). Borrower will not, without at least 30 days prior written notice, relocate its chief executive office or add any new offices or business locations in which Borrower maintains or stores over $5,000 in Borrower's assets or property.

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7.3 MERGERS OR ACQUISITIONS.

Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, except where (i) no Event of Default has occurred and is continuing or would result from such action during the term of this Agreement and (ii) such transaction would not result in a decrease of more than 25% of Tangible Net Worth. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 INDEBTEDNESS.

Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 ENCUMBRANCE.

Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted here, subject to Permitted Liens.

7.6 DISTRIBUTIONS; INVESTMENTS.

Directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Subsidiaries to do so. Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock.

7.7 TRANSACTIONS WITH AFFILIATES.

Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower’s business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm’s length transaction with a nonaffiliated Person.

7.8 SUBORDINATED DEBT.

Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt, or amend any provision in any document relating to the Subordinated Debt without Bank’s prior written consent.

7.9 COMPLIANCE.

Become an "investment company" or a company controlled by an "investment company," under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Advance for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower’s business or operations or would reasonably be expected to cause a Material Adverse Change, or permit any of its Subsidiaries to do so.

8 EVENTS OF DEFAULT

Any one of the following is an Event of Default:

8.1 PAYMENT DEFAULT.

If Borrower fails to pay any of the Obligations within 3 days after their due date. During the additional period the failure to cure the default is not an Event of Default (but no Advance will be made during the cure period);

8.2 COVENANT DEFAULT.

<R>
If Borrower violates any covenant in Section 7 or does not perform or observe any other material term, condition or covenant in this Agreement, any Loan Documents, or in any agreement between Borrower and Bank and as to any default under a term, condition or covenant that can be cured, has not cured the default within 10 days after it occurs, or if the default cannot be cured within 10 days or cannot be cured after Borrower's attempts within 10 day period, and the default may be cured within a reasonable time, then Borrower has an additional period (of not more than 30 days) to attempt to cure the default. During the additional time, the failure to cure the default is not an Event of Default (but no Advances will be made during the cure period);
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8.3 MATERIAL ADVERSE CHANGE.

If there (i) occurs a material adverse change in the business, operations, or condition (financial or otherwise) of the Borrower; or (ii) is a material impairment of the prospect of repayment of any portion of the Obligations; or (iii) is a material impairment of the value or priority of Bank's security interests in the Collateral.

8.4 ATTACHMENT.

If any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days, or if Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business or if a judgment or other claim becomes a Lien on a material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within 10 days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Advances will be made during the cure period);

8.5 INSOLVENCY.

If Borrower becomes insolvent or if Borrower begins an Insolvency Proceeding or an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within 30 days (but no Advances will be made before any Insolvency Proceeding is dismissed);

8.6 OTHER AGREEMENTS.

If there is a default in any agreement between Borrower and a third party that gives the third party the right to accelerate any Indebtedness exceeding $100,000 or that could cause a Material Adverse Change;

8.7 JUDGMENTS.

If a money judgment(s) in the aggregate of at least $50,000 is rendered against Borrower and is unsatisfied and unstayed for 10 days (but no Advances will be made before the judgment is stayed or satisfied);

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8.8 MISREPRESENTATIONS.

If Borrower or any Person acting for Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document; or

8.9 GUARANTY.

<R>
Any guaranty of any Obligations ceases for any reason to be in full force or any Guarantor does not perform any obligation under any guaranty of the Obligations, or any material misrepresentation or material misstatement exists now or later in any warranty or representation in any guaranty of the Obligations or in any certificate delivered to Bank in connection with the guaranty, or any circumstance described in Sections 8.4, 8.5 or 8.7 occurs to any Guarantor, or any event of default under that certain Third Party Broker Account Pledge Agreement, of even date, by and between Bruce R. Culver and Donna T. Culver and Bank, securing the guaranty executed by Bruce R. Culver as a Guarantor.
</R>

9 BANK'S RIGHTS AND REMEDIES

9.1 RIGHTS AND REMEDIES.

When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) Declare all Obligations immediately due and payable (but if an Event of Default described in Section 0 occurs all Obligations are immediately due and payable without any action by Bank);

(b) Stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable;

(d) Make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrower will assemble the Collateral if Bank requires and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(e) Apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral; and

(g) Dispose of the Collateral according to the Code.

9.2 POWER OF ATTORNEY.

Effective only when an Event of Default occurs and continues, Borrower irrevocably appoints Bank as its lawful attorney to: (i) endorse Borrower's name on any checks or other forms of payment or security; (ii) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (iii) make, settle, and adjust all claims under

Borrower's insurance policies; (iv) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; and (v) transfer the Collateral into the name of Bank or a third party as the Code permits. Bank may exercise the power of attorney to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred. Bank's appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Advances terminates.

9.3 ACCOUNTS COLLECTION.

When an Event of Default occurs and continues, Bank may notify any Person owing Borrower money of Bank's security interest in the funds and verify the amount of the Account. Borrower must collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit.

9.4 BANK EXPENSES.

<R>
If Borrower fails to pay any amount or furnish any required proof of payment to third persons, Bank may make all or part of the payment or obtain insurance policies required in Section 6.5, and take any action under the policies Bank deems prudent. Any amounts paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then applicable rate and secured by the Collateral. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.
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9.5 BANK'S LIABILITY FOR COLLATERAL.

If Bank complies with reasonable banking practices and the Code, it is not liable for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 REMEDIES CUMULATIVE.

Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay is not a waiver, election, or acquiescence. No waiver is effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given.

9.7 DEMAND WAIVER.

Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices or demands by any party about this Agreement or any other related agreement must be in writing and be personally delivered or sent by an overnight delivery service, by certified mail, postage prepaid, return receipt requested, or by telefacsimile to the addresses set forth at the beginning of this Agreement. A party may change its notice address by giving the other party written notice.

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11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Arizona law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the process, venue and exclusive jurisdiction of the State and Federal courts in Maricopa County, Arizona.

BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 SUCCESSORS AND ASSIGNS.

This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights under it without Bank's prior written consent which may be granted or withheld in Bank's discretion. Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement.

12.2 INDEMNIFICATION.

Borrower will indemnify, defend and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or consequential to transactions between Bank and Borrower (including reasonable attorneys fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

12.3 TIME OF ESSENCE.

Time is of the essence for the performance of all obligations in this Agreement.

12.4 SEVERABILITY OF PROVISION.

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.5 AMENDMENTS IN WRITING, INTEGRATION.

All amendments to this Agreement must be in writing and signed by Borrower and Bank. This Agreement represents the entire agreement about this subject matter, and supersedes prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement merge into this Agreement and the Loan Documents.

12.6 COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.7 SURVIVAL.

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All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligations of Borrower in Section 12.2 to indemnify Bank will survive until all statutes of limitations for actions that may be brought against Bank have run.
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12.8 CONFIDENTIALITY.

In handling any confidential information, Bank will exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made (i) to Bank's subsidiaries or affiliates in connection with their business with Borrower, (ii) to prospective transferees or purchasers of any interest in the loans (provided, however, Bank shall use commercially reasonable efforts in obtaining such prospective transferee or purchasers agreement of the terms of this provision), (iii) as required by law, regulation, subpoena, or other order, (iv) as required in connection with Bank's examination or audit and (v) as Bank considers appropriate exercising remedies under this Agreement. Confidential information does not include information that either: (a) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (b) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

12.9 ATTORNEYS' FEES, COSTS AND EXPENSES.

In any action or proceeding between Borrower and Bank arising out of the Loan Documents, the prevailing party will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled.

13 DEFINITIONS

13.1 DEFINITIONS.

In this Agreement:

"ACCOUNTS" are all existing and later arising accounts, contract rights, and other obligations owed Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by Borrower and Borrower's Books relating to any of the foregoing, as such definition may be amended from time to time.

"ADVANCE" or "ADVANCES" is a loan advance (or advances) under the Committed Revolving Line.

"AFFILIATE" of a Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"BANK EXPENSES" are all audit fees and expenses and reasonable costs and expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).

"BORROWER'S BOOKS" are all Borrower's books and records including ledgers, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

"BUSINESS DAY" is any day that is not a Saturday, Sunday or a day on which the Bank is closed.

"CLOSING DATE" is the date of this Agreement.

"CODE" is the Uniform Commercial Code, as applicable.

"COLLATERAL" is the property described on Exhibit A.

"COMMITTED REVOLVING LINE" is an Advance of up to $1,500,000.

"CONTINGENT OBLIGATION" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

"EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest, as such definition may be amended from time to time.

"ERISA" is the Employment Retirement Income Security Act of 1974, and its regulations.

"GAAP" is generally accepted accounting principles.

"GUARANTOR" is any present or future guarantor of the Obligations, including Bruce R. Culver.

"INDEBTEDNESS" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

"INSOLVENCY PROCEEDING" are proceedings by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"INVENTORY" is present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrower, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

"INVESTMENT" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

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"LIEN" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"LOAN DOCUMENTS" are, collectively, this Agreement, any note, or notes or guaranties executed by Borrower or Guarantor, and any other present or future agreement between Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated.

<R>
"MATERIAL ADVERSE CHANGE" is described in Section 8.3.
</R>

"OBLIGATIONS" are debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, including cash management services, letters of credit and foreign exchange contracts, if any and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank.

"PERMITTED INDEBTEDNESS" is:

(a) Borrower's indebtedness to Bank under this Agreement or any other Loan Document;

(b) Indebtedness existing on the Closing Date and shown on the Schedule;

(c) Subordinated Debt;

(d) Indebtedness to trade creditors incurred in the ordinary course of business; and

(e) Indebtedness secured by Permitted Liens.

"PERMITTED INVESTMENTS" are:

(a) Investments shown on the Schedule and existing on the Closing Date; and

(b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State maturing within 1 year from its acquisition, (ii) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., and (iii) Bank's certificates of deposit issued maturing no more than 1 year after issue.

"PERMITTED LIENS" are:

(a) Liens existing on the Closing Date and shown on the Schedule or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, if they have no priority over any of Bank's security interests;

(c) Purchase money Liens (i) on Equipment acquired or held by Borrower or its Subsidiaries incurred for financing the acquisition of the Equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment;

(d) Licenses or sublicenses granted in the ordinary course of Borrower's business and any interest or title of a licensor or under any license or sublicense, if the licenses and sublicenses permit granting Bank a security interest;

(e) Leases or subleases granted in the ordinary course of Borrower's business, including in connection with Borrower's leased premises or leased property;

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

"PERSON" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"PRIME RATE" is Bank's most recently announced "prime rate," even if it is not Bank's lowest rate.

"RESPONSIBLE OFFICER" is each of the Chief Executive Officer, the President, the Chief Financial Officer and the Controller of Borrower.

"REVOLVING MATURITY DATE" is April 30, 2002.

"SCHEDULE" is any attached schedule of exceptions.

"SUBORDINATED DEBT" is debt incurred by Borrower subordinated to Borrower's indebtedness owed to Bank and which is reflected in a written agreement in a manner and form acceptable to Bank and approved by Bank in writing.

"SUBSIDIARY" is for any Person, or any other business entity of which more than 50% of the voting stock or other equity interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

"TANGIBLE NET WORTH" is, on any date, the consolidated total assets of Borrower and its Subsidiaries minus, (i) any amounts attributable to (a) goodwill, (b) intangible items such as unamortized debt discount and expense, Patents, trade and service marks and names, Copyrights and research and development expenses except prepaid expenses, and (c) reserves not already deducted from assets, and (ii) Total Liabilities.

"TOTAL LIABILITIES" is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower's consolidated balance sheet, including all Indebtedness, and current portion Subordinated Debt allowed to be paid, but excluding all other Subordinated Debt.

BORROWER:

TASER International, Inc.

By: /s/ Kathleen Manrahan

Title: Secretary & Chief Financial Officer

BANK:

SILICON VALLEY BANK

By: /s/ Amy Lou Blunt

Title: Vice President, Relationship Manager

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Exhibit 23.2

[AA LETTERHEAD]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

<R>
As independent public accountants, we hereby consent to the use of our report dated April 30, 2001 (and to all references to our firm) included in or made a part of Amendment #3 of the Registration Statement on Form SB-2.
</R>

<R>
Phoenix, Arizona
April 30, 2001
</R>
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