

Edgar Filing: AIRTRAX INC - Form 10QSB/A

AIRTRAX INC  
Form 10QSB/A  
June 01, 2007

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

FORM 10-QSB/A

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2005.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 001-16237

AIRTRAX, INC.  
(Name of Small Business Issuer in its charter)

New Jersey	22-3506376
-----	-----
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

200 Freeway Drive, Unit One, Blackwood, NJ 08012  
(Address of principal executive offices)

(856) 232-3000  
(Issuer's telephone number)

870B Central Avenue, Hammonton NJ 08037  
(Former name, former address and former fiscal year,  
if changed since last report)

Check whether issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court: Yes  No

Indicate by check whether the registrants is a shell company (as defined in rule 12b of the Exchange Act). yes  no

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 04, 2005, the issuer had 21,695,735 shares of common stock, no par value, issued and outstanding.

Transitional Small Business Issuer Format (Check One): Yes  No

# Edgar Filing: AIRTRAX INC - Form 10QSB/A

## Explanatory Note

Certain errors effecting the June 30, 2005 financial statements have been discovered during an internal review. The corrections resulted in a change in the amount of net loss attributable to common shareholders with resultant changes in deficit accumulated during development stage, certain changes in the statement of cash flows and certain changes in balance sheet account balances as of June 30, 2005.

The corrections result from a change in the method of accounting for embedded derivatives contained in convertible notes and warrants. They had been accounted for under the provisions of EITF 98-5 and EITF 00-27. As further described in Note 2, they are now accounted for under the provisions of EITF 00-19.

For the convenience of the reader, this Form 10-QSB/A sets forth the original Form 10-QSB in its entirety. However, this Form 10-QSB/A only amends our financial statements and the footnotes to our financial statements, along with the corresponding changes to our Management's Discussion and Analysis. We also corrected typographical errors and have revised our controls and procedures disclosure as a result of these restatements. No other information in the original Form 10-QSB is amended hereby. In addition, pursuant to the rules of the SEC, the original Form 10-QSB has been amended to contain currently dated certifications from our Principal Executive Officer and Principal Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of our Principal Executive Officer and Principal Financial Officer are attached to this Form 10-QSB/A as Exhibits 31.1, 31.2 and 32.1, respectively

AIRTRAX, INC.  
JUNE 30, 2005 QUARTERLY REPORT ON FORM 10-QSB

## TABLE OF CONTENTS

	PAGE
	----
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Balance Sheets	2
Statements of Operations and Deficit Accumulated During Development Stage	2
Statements of Cash Flows	4
Notes to Financial Statements	5
Special Note Regarding Forward Looking Statements	12

Edgar Filing: AIRTRAX INC - Form 10QSB/A

Item 2.	Management's Discussion and Analysis or Plan of Operations	12
Item 3.	Controls and Procedures	18
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3.	Defaults Upon Senior Securities	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
Item 5.	Other Information	19
Item 6.	Exhibits	19
SIGNATURES		22

1

AIRTRAX, INC.  
(A Development Stage Company)  
BALANCE SHEETS

	June 30, 2005 (Unaudited) (Restated)	December 31, 2004 (Audited)
	-----	-----
ASSETS		
Current Assets		
Cash	\$ 1,098,691	\$ 641,400
Accounts receivable	2,445	
Accrued interest receivable	244,666	86,600
Inventory	1,673,435	709,200
Prepaid expenses	-	5,100
Vendor advance	173,017	52,000
Deferred tax asset	448,860	224,400
	-----	-----
Total current assets	3,641,114	1,718,900
	-----	-----
Fixed Assets		
Office furniture and equipment	111,786	90,700
Automotive equipment	21,221	21,200
Shop equipment	43,619	24,500
Casts and tooling	236,484	205,400
	-----	-----
	413,110	341,900
	-----	-----

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

Less, accumulated depreciation	266,592	248,3
	-----	-----
Net fixed assets	146,518	93,5
	-----	-----
Other Assets		
Advances to FilCO GmbH	5,266,136	2,670,0
Patents - net	145,152	117,4
Bond discount	479,167	
Utility deposits	65	
	-----	-----
Total other assets	5,890,520	2,787,4
	-----	-----
TOTAL ASSETS	\$ 9,678,152	\$ 4,600,0
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 559,506	\$ 394,9
Accrued liabilities	424,555	459,5
Warrant and conversion liability	2,623,436	1,219,7
Shareholder deposits for stock	-	1,403,1
Shareholder notes payable	33,460	33,4
	-----	-----
Total current liabilities	3,640,957	3,510,9
Long Term Convertible Debt	500,000	
	-----	-----
TOTAL LIABILITIES	4,140,957	3,510,9
	-----	-----
Stockholders' Equity		
Common stock - authorized, 100,000,000 shares without par value; issued and outstanding - 21,639,926 and 15,089,342, respectively	20,565,123	10,822,8
Paid in capital - warrants	1,708,312	
Preferred stock - authorized, 5,000,000 shares without par value; 275,000 issued and outstanding	12,950	12,9
Deficit accumulated during development stage	(16,542,238)	(9,539,7
Deficit prior to development stage	(206,952)	(206,9
	-----	-----
Total stockholders' equity	5,537,195	1,089,1
TOTAL LIABILITIES AND		
STOCKHOLDER'S EQUITY	\$ 9,678,152	\$ 4,600,0
	=====	=====

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

Edgar Filing: AIRTRAX INC - Form 10QSB/A

AIRTRAX, INC.  
(A Development Stage Company)  
STATEMENTS OF OPERATIONS AND DEFICIT  
ACCUMULATED DURING DEVELOPMENT STAGE  
For the Six Month Periods Ended June 30, 2005 and 2004  
(Unaudited)

	2005 (Restated)	2004
	-----	-----
SALES	\$ 167,545	\$
COST OF GOODS SOLD	160,126	-----
Gross Profit (Loss)	7,419	-----
OPERATING AND ADMINISTRATIVE EXPENSES	2,007,882	848,1
OPERATING LOSS	(2,000,463)	(848,1
OTHER INCOME AND EXPENSE		
Revaluation income (expense)	600,299	
Interest expense	(74,430)	(13,7
Interest income	172,300	10,1
Other income	211	
Conversion expense	(5,600,139)	
NET LOSS BEFORE INCOME TAXES	(6,902,222)	(851,6
INCOME TAX BENEFIT (STATE):		
Current	224,446	67,7
Prior years	-	
Total Benefit	224,446	67,7
NET LOSS DURING DEVELOPMENT STAGE	(6,677,776)	(783,8
DEEMED DIVIDENDS ON PREFERRED STOCK	273,167	
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(6,950,943)	(783,8
PREFERRED STOCK DIVIDENDS DURING DEVELOPMENT STAGE	(51,563)	(85,9
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	\$ (7,002,506)	\$ (869,8
NET LOSS PER SHARE:		

Edgar Filing: AIRTRAX INC - Form 10QSB/A

NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (6,950,943)	\$ (783,8
ADJUSTMENT FOR PREFERRED STOCK DIVIDENDS	(34,375)	(34,3
	-----	-----
LOSS ALLOCABLE TO COMMON SHAREHOLDERS	\$ (6,985,318)	\$ (818,2
	=====	=====
NET LOSS PER SHARE - Basic and Diluted	\$ (.36)	\$ (.
WEIGHTED AVERAGE SHARES OUTSTANDING	19,435,015	10,267,5

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

3

AIRTRAX, INC.  
(A Development Stage Company)  
STATEMENTS OF OPERATIONS AND DEFICIT  
ACCUMULATED DURING DEVELOPMENT STAGE  
For the Three Month Periods Ended June 30, 2005 and 2004  
(Unaudited)

	2005 (Restated)	2004
	-----	-----
SALES	\$ 90,554	\$
COST OF GOODS SOLD	107,765	-----
Gross Profit (Loss)	(17,211)	
OPERATING AND ADMINISTRATIVE EXPENSES	1,284,288	549,3
	-----	-----
OPERATING LOSS	(1,301,499)	(549,3
OTHER INCOME AND EXPENSE		
Revaluation income (expense)	373,440	
Interest expense	(34,158)	(6,1
Interest income	111,156	10,1
Other income	75	
Conversion expense	(467,446)	
	-----	-----
NET LOSS BEFORE INCOME TAXES	(1,318,432)	(545,2

Edgar Filing: AIRTRAX INC - Form 10QSB/A

INCOME TAX BENEFIT (STATE):		
Current	166,301	41,8
Prior years	-	
Total Benefit	166,301	41,8
NET LOSS DURING DEVELOPMENT STAGE	(1,152,131)	(503,4
DEEMED DIVIDENDS ON PREFERRED STOCK	273,167	
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(1,425,298)	(503,4
PREFERRED STOCK DIVIDENDS DURING DEVELOPMENT STAGE	(51,563)	(40,1
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	\$ (1,476,861)	\$ (543,5
NET LOSS PER SHARE:		
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (1,425,298)	\$ (503,4
ADJUSTMENT FOR PREFERRED STOCK DIVIDENDS	(17,188)	(17,1
LOSS ALLOCABLE TO COMMON SHAREHOLDERS	\$ (1,442,486)	\$ (520,6
NET LOSS PER SHARE - Basic and Diluted	\$ (.07)	\$ (.0
WEIGHTED AVERAGE SHARES OUTSTANDING	21,477,816	11,430,4

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

4

AIRTRAX, INC.  
(A Development Stage Company)  
STATEMENTS OF CASH FLOWS  
For the Six Month Periods ended June 30, 2005 and 2004  
(Unaudited)

	2005 (Restated)	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,950,943)	\$ (783,8
Adjustments to reconcile net loss to net cash		

Edgar Filing: AIRTRAX INC - Form 10QSB/A

consumed by operating activities:

Charges not requiring the outlay of cash:

Depreciation and amortization	21,666	18,1
Amortization of bond discount	20,833	
Equity securities issued for services	717,593	278,2
Revaluation expense (income)	(600,299)	
Conversion expense	5,600,139	
Stock issued in settlement of interest obligations	36,986	
Increase in accrual of deferred tax benefit	(224,446)	(67,7
Deemed dividends on preferred stock	273,167	
Interest accrued on shareholder loan	2,007	2,9
Changes in current assets and liabilities:		
Increase in accrued interest receivable	(157,999)	
Increase in accounts receivable	(2,445)	(37,4
Increase in vendor advances	(121,000)	
Increase (decrease) in accounts payable and accrued liabilities	45,945	(345,2
Increase in prepaid expenses	-	
Increase in inventory	(964,154)	(33,8

Net Cash Consumed By Operating Activities	(2,302,950)	(968,95
---	-------------	---------

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of equipment	(71,137)	(25,4
Additions to patent cost	(31,460)	
Advances to Filco GmbH	(2,596,136)	(1,000,0

Net Cash Consumed By Investing Activities	(2,698,733)	(1,025,4
---	-------------	----------

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds of issuance of convertible debt	4,277,500	
Net proceeds of common stock sales	55,000	2,457,2
Proceeds of convertible loan	409,913	
Proceeds from exercise of warrants	718,486	
Proceeds of sales of preferred stock	-	
Proceeds from exercise of options	-	
Borrowings (repayments) of stockholder loans	(2,002)	(52,0
Preferred stock dividends paid in cash	-	(85,9
Principal payments on installation note	-	(4

Net Cash Provided By Financing Activities	5,458,897	2,318,7
---	-----------	---------

Net (Decrease) Increase In Cash	457,214	324,4
Balance at beginning of period	641,477	37,3
Balance at end of period	\$ 1,098,691	\$ 361,8

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



# Edgar Filing: AIRTRAX INC - Form 10QSB/A

(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

## 1. BASIS OF PRESENTATION

The unaudited interim financial statements of AirTrax, Inc. ("the Company") as of June 30, 2005 and for the three month and six month periods ended June 30, 2005 and 2004, respectively, have been prepared in accordance with accounting principles generally accepted in the United State of America. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. The results of operations for the quarter ended June 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2005.

Certain information and disclosures normally included in the notes to financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission, although the Company believes the disclosure is adequate to make the information presented not misleading. The accompanying unaudited financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2004.

## 2. COMMON STOCK AND WARRANTS

The certificate of incorporation was amended on March 28, 2005 to increase the number of authorized shares to 100,000,000 for the common no par stock, and to 5,000,000 for the preferred no par stock.

On February 11, 2005, the Company issued \$5,000,000 of 8% convertible promissory notes, which were convertible into Company common stock and two classes of warrants to purchase Company common stock. The notes were to mature on August 10, 2005. The Company retained the right to require conversion of the notes at a price of \$1.30 per share. Conversion occurred on March 29, 2005 and 3,846,154 shares of common stock were issued. In addition, warrants to purchase common stock were issued in connection with this transaction as follows: 1,923,077 Class A warrants and 961,538 Class B warrants. The Class A warrants are exercisable for a five year period at a price per share of \$1.85; the Class B warrants are exercisable for a five year period at a price per share of \$2.11. As partial compensation, the broker-dealer which arranged this transaction was awarded 384,616 warrants to purchase common stock at \$1.85 per share, 100,000 warrants to purchase common stock at \$1.00 per share.

The issuance of convertible promissory notes and warrants was accounted for under the provisions of Emerging Issues Task Force (EITF) 98-5, "Accounting for Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", and EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Investments". This accounting was corrected in these restated financial statements to apply the provisions of EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock". See Note 3 for further details.

Edgar Filing: AIRTRAX INC - Form 10QSB/A

AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

2. COMMON STOCK AND WARRANTS (Continued)

On May 14, 2005, the Company issued a \$500,000 8% convertible note. The note is scheduled for maturity in two years. During that period, it can be converted to stock at a rate of \$1.30 per share, which would translate to 384,615 shares. Accompanying the convertible note were 384,615 warrants to purchase common stock at \$2.11 per share; these warrants are exercisable over a five year period.

A total of 8,536,298 warrants was outstanding at June 30, 2005 as follows:

	Class A -----	Class B -----	Other Warrant -----
Outstanding at December 31, 2004	-	-	5,537,7
Increases:			
Warrants issued in connection with sale of \$5,000,000 of convertible notes	1,923,077	961,538	484,6
Warrants issued in conjunction with \$500,000 of convertible debt	-	384,615	
Other warrants issued	-	-	37,6
Reductions:			
Warrants exercised	-	-	(593,0
Warrants voided	-	-	(200,0
Outstanding, June 30, 2005	1,923,077 =====	1,346,153 =====	5,267,0 =====

Shares of common stock were issued during the second quarter and first six months of 2005 as follows:

	Second Quarter -----
Conversion of \$5,000,000 notes	
Private placement sales	
Shares issued based on warrants exercised	130,8
Issuance of shares sold in prior year	
Shares issued for services	264,4
Shares issued in settlement of interest on convertible notes	28,4
Total shares issued	423,7 =====

Edgar Filing: AIRTRAX INC - Form 10QSB/A

AIRTRAX, INC.  
 (A Development Stage Company)  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005  
 (Unaudited)

3. RESTATEMENTS

Certain errors affecting the June 30, 2005 financial statements have been discovered during an internal review. Correcting these errors resulted in a change in the amount of net loss attributable to common shareholders with resultant changes in deficit accumulated during development stage, certain changes in the statement of cash flows and certain changes in balance sheet account balances as of June 30, 2005. The financial statements for the three and six month periods ended June 30, 2005 and for the period May 19, 1997 to June 30, 2005 have, therefore, been restated to correct these errors. The restated amounts are compared with the amounts previously reported in the tables below.

These restatements are the result of a change in the method of accounting for embedded derivatives contained in convertible notes and warrants. They had been accounted for under the provisions of EITF 98-5 and EITF 00-27. As further described in Note 2, they are now accounted for under the provisions of EITF 00-19. In addition, it was determined that a dividend on the preferred stock had been incorrectly calculated. Correcting for this dividend resulted in changes in the balances of the accounts making up stockholders equity and a reduction in the amount of deemed dividends.

Statement Of Operations  
 For The Six Month Period Ended June 30, 2005

	As Originally Presented	Adjustmen
	-----	-----
Revaluation expense	\$ -	\$ 600,2
Interest expense	(4,288,161)	4,213,7
Conversion expense	-	(5,600,1
Deemed dividends on preferred stock	(479,167)	206,0
		-----
Net loss attributable to common shareholders	\$ (6,370,834)	\$ (580,1
	=====	=====

Statement Of Operations  
 For The Three Month Period Ended June 30, 2005

	As Originally Presented	Adjustmen
	-----	-----
Revaluation income	\$ -	\$ 373,4
Conversion expense	-	(467,4
Deemed dividends on preferred stock	(479,167)	206,0
		-----
Net loss attributable to common shareholders	\$ (1,537,292)	\$ 111,9

Edgar Filing: AIRTRAX INC - Form 10QSB/A

Statement Of Operations  
For The Period May 19, 1997 To June 30, 2005

	As Originally Presented	Adjustmen
	-----	-----
Revaluation expense	\$ -	\$ (263,9
Interest expense	(4,463,225)	4,213,7
Conversion expense	-	(5,955,6
Deemed dividends on preferred stock	(667,579)	206,0
	-----	-----
Net loss attributable to common shareholders	\$ (14,247,676)	\$ (1,799,85
	=====	=====

8

AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

3. RESTATEMENTS (continued)

Statement Of Cash Flows  
For The Six Month Period Ended June 30, 2005

	As Originally Presented	Adjustmen
	-----	-----
Net loss	\$ (6,370,834)	\$ (580,1
Revaluation income	-	(600,2
Value of warrants issued	944,500	(944,5
Deemed dividends on preferred stock	479,167	(206,0
Conversion benefit	3,269,231	(3,269,2
Conversion expense	-	5,600,1
	-----	-----
Cash consumed by operating activities	\$ (2,302,950)	\$
	=====	=====

Statement Of Cash Flows  
For The Period May 19, 1997 To June 30, 2005

	As Originally Presented	Adjustmen
	-----	-----
Net loss	\$ (14,247,676)	\$ (1,799,8

Edgar Filing: AIRTRAX INC - Form 10QSB/A

Revaluation expense	-	263,9
Value of warrants issued	944,500	(944,5
Deemed dividends on preferred stock	667,579	(206,0
Conversion benefit	3,269,231	(3,269,2
Conversion expense	-	5,955,6
		-----
Cash consumed by operating activities	\$( 7,028,334)	\$
	=====	=====

9

AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

3. RESTATEMENTS (continued)

Balance Sheet  
June 30, 2005  
Liabilities and Stockholders' Equity

	As Originally Presented	Adjustmen
	-----	-----
Current liabilities:		
Liability for warrants and conversion options	\$ -	\$ 2,623,4
Total current liabilities	1,017,521	2,623,4
	-----	-----
Total liabilities	1,517,521	2,623,4
	-----	-----
Stockholders' equity:		
Common stock	19,911,659	326,5 (3,269,2 3,596,1
Paid in capital - warrants	2,652,812	(944,5
Preferred stock	545,491	(532,5
Deficit accumulated during development stage	(14,742,379)	(3,596,1 (2,003,9 600,2 4,213,7 (1,219,7 206,0
Total stockholders' equity	8,160,631	(2,623,4
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 9,678,152	\$
	=====	=====

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

### Explanations:

- (1) Conversion expense associated with stock conversion and immediately exercisable warrants, not previously recorded.
- (2) Revaluation income (expense) of derivatives, not previously recorded.
- (3) Elimination of expense associated with convertible bond issue. The recording of interest was required by EITF 98-5; it is not appropriate under EITF 00-19.
- (4) Several expense items generated by the use of EITF 98-5 have been eliminated based on the application of EITF 00-19 and replaced with items (1) and (2)
- (5) Correction of dividends on preferred stock, with related reduction in the amount of deemed dividend charges.

10

AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

#### 4. SUPPLEMENTAL CASH FLOWS INFORMATION

Cash paid for interest was \$5,803 and \$10,135, respectively, for the six month periods ended June 30, 2005 and June 30, 2004. There was no cash paid for income taxes during either the 2005 or 2004 six month periods.

There were no noncash investing activities during either the 2005 or 2004 periods. The following noncash financing activities occurred during these periods.

- a. During the second quarter of 2005, the Company issued 24,853 shares in settlement of the interest obligation on its \$5,000,000 convertible issue prior to the conversion of the notes to stock.
- b. Shares of common stock were issued for services in 2005 and 2004; these totaled 224,000 shares and 163,745 shares, respectively.
- c. Shares were issued in 2005 and 2004 in settlement of shares paid for in prior years. These amounted to 1,749,827 shares and 30,000 shares, respectively.

11

AIRTRAX, INC.

# Edgar Filing: AIRTRAX INC - Form 10QSB/A

(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

## 5. OPERATING AND ADMINISTRATIVE EXPENSE

The following details expenses incurred during the six month periods ended June 30, 2005 and 2004:

	2005	2004
	-----	-----
Options Expense	\$ 83,650	\$ -
Payroll	254,894	150,573
Marketing	202,978	32,617
Production Costs	152,705	56,175
Professional Fees	306,068	66,674
Consulting Expenses	407,943	285,275
Insurance	129,879	54,480
Penalties	120,429	-
Other Expense	349,336	202,347
	-----	-----
Totals	\$2,007,882	\$ 848,141
	=====	=====

## 6. CONTINGENCY

The Company has a tentative agreement to purchase 75.1% of the stock of FiLCO GmbH (FiLCO), a German manufacturer of fork trucks with a manufacturing facility in Mulheim, Germany. During the pendency of this tentative agreement, the Company agreed to make advances to FiLCO. Through March 31, 2005, loans totaling \$3,825,000 had been made. These loans may be converted to capital on the books of FiLCO. The seller, who will continue to own the remaining 24.9% of the FiLCO stock, has agreed that, if the Company converts its loan to capital, he also will convert to FiLCO capital a loan of 1,225,000 Euros that FiLCO owes to him. As additional consideration for this FiLCO stock purchase, the Company agreed to pay the seller 12,750 Euros and to issue to the seller 900,000 warrants to purchase Company stock; these warrants would be exercisable at \$.01 per share. The Company has appointed the seller of the FiLCO stock a director of the Company and would grant him options to purchase 100,000 shares of Company stock for \$.01. Additionally, the Company agreed to advance funds, if needed, to FiLCO to provide for its working capital needs. Any advances made under the latter provision would be collateralized by the remaining 24.9% of FiLCO stock and would be repaid only from dividends paid on the stock.

As of June 30, 2005, the Company had not concluded the contract and had not issued any of the warrants or options contemplated by the tentative agreement.

Item 2. Management's Discussion and Analysis and Results of Operations Forward Looking Statements

This report contains forward-looking statements within the meaning of Section

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those in the forward-looking statements as a result of various important factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such should not be regarded as a representation by AIRTRAX, Inc., or any other person, that such forward-looking statements will be achieved. The business and operations of AIRTRAX, Inc. are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report.

### Overview

Since 1995, substantially all of our resources and operations have been directed towards the development of the omni-directional wheel and related components for forklift and other material handling applications. Many of the components, including the uniquely shaped wheels, motors, and frames, have been specially designed by us and specially manufactured for us. Four pilot models of the commercial omni-directional lift truck are operational and have been used for extensive testing over the past few years.

We have completed our initial production run consisting of 10 units of our Sidewinder ATX-3000 Omni-Directional Lift Truck. Two of these vehicles have been sold to consumers while several of the other eight trucks will be used for additional testing including UL (Underwriters Laboratories) compliance. Unit assembly for the first 10 units was completed by us at the H&R Industries facility in Warminster, PA. ANSI testing is completed using specified mast and will be continued throughout the second and third quarters on optional mast to be used with this vehicle. Final UL compliance must be completed at the plant of initial and final assembly. Following required compliance testing, we expect to sell the remainder of these units to select dealers in the United States. We have received orders for these units.

We have incurred losses and experienced negative operating cash flow since our formation. For the three months ended June 30, 2005 and 2004, we had a net loss of \$(1,425,298) and \$(503,426), respectively. We expect to continue to incur significant expenses. Our operating expenses have been and are expected to continue to outpace revenues and result in significant losses in the near term. We may never be able to reduce these losses, which will require us to seek additional debt or equity financing.

Our principal executive offices are located at 200 Freeway Drive, Unit One, Blackwood, NJ 08012 and our telephone number is (609) 567-7800. We are incorporated in the State of New Jersey.

### Company History

We were incorporated in the State of New Jersey on April 17, 1997. On May 19, 1997, we entered into a merger agreement with a predecessor company that was incorporated on May 10, 1995. We were the surviving company in the merger.

Effective November 5, 1999, we merged with MAS Acquisition IX Corp ("MAS"), and were the surviving company in the merger. Pursuant to the Agreement and Plan of Merger, as amended, each share of common stock of MAS was converted to 0.00674 shares of our company. After giving effect to fractional and other reductions, MAS shareholders received 57,280 of our shares as a result of the merger.



In March 2004, we reached an agreement in principal, subject to certain closing conditions, with Fil Filipov to acquire 51% of the capital stock of Filco GmbH, a German corporation. In April 2003, Filco GmbH acquired substantially all of the assets of Clark Material Handling of Europe GmbH which were located at Clark's facility in Rheinstrasse Mulheim a.d. Ruhr, Germany. These assets consisted of all of the tooling, machinery, equipment, inventory, intellectual property, office furniture and fixtures, and personnel necessary to build the entire Clark line of lift trucks, but excluded the building and land, as well as the rights to the Clark name. Further, Filco GmbH has entered into an 18-month lease agreement with the current property owner with an option to purchase the 200,000 square foot building and land for 4.7 million euros, and Filco GmbH has been operating this plant since July 1, 2003.

In October 2004, Mr. Filipov and we agreed to modify our agreement in principal so as to increase the number of shares of the capital stock of Filco GmbH which we will acquire, if we finalize the acquisition, from 51% to 75.1%. The purpose of this change is to give us control of Filco GmbH in accordance with USGAAP and German law considerations regarding consolidation and capitalization. Further, this change was offered and accepted in consideration of our agreeing to advance Filco additional funds, in the form of a loan, to fund the start up of the Filco operation prior to the consummation of the transaction. All other conditions and terms of the agreement between the parties shall remain the same.

We have not yet finalized nor executed the acquisition agreement but have loaned Filco GmbH an aggregate principal amount of \$2,700,000 pursuant to a series of unsecured promissory notes. We have used proceeds from the private placement offerings that we completed during 2004 and 2005 to fund such loans. Filco GmbH has informed us its estimated working capital needs during the next year will be approximately \$5,000,000, with \$1,500,000 needed during January 2005, in order for it to achieve profitable operations. Should we complete the acquisition of Filco GmbH, we will need to raise additional capital in order to fund the working capital needs of Filco GmbH.

In general, the Filco transaction could provide us access to strategic partnerships in personnel and successful business ventures, sales and market exposure in Europe.

The proposed acquisition of Filco may include a leased manufacturing facility, with an experienced workforce, inventory, intellectual property, and machinery sufficient to fill 200,000 square feet of assembly and manufacturing. Filco could provide us with cliental throughout Europe and the Middle East. This could provide us with the ability to sell a complete line of lift trucks beyond the limited sized Sidewinder Omni-Directional Lift Truck. It would provide manufacturing or assembly for our products, including, but not limited to, the aerial work platforms or any other products we develop or can contract to assemble with other companies.

In addition, if the acquisition is completed we anticipate that we will establish manufacturing capability in Europe, to complement our manufacturing in the United States. We currently purchase a high percentage of our parts in Europe, including, but not limited to, the frames from Bulgaria, motors and controllers manufactured in the Czech Republic and Sweden, and transmissions, brakes and seats manufactured in Germany. The mast could be manufactured, the frames could be powder coated (painted), and European parts could be assembled at the Filco plant. Partially assembled vehicles would be shipped to the United States for final assembly. Wheels and other parts for the vehicles may be sold in Europe or Middle Eastern countries could be shipped from the United States for the completion of manufacturing at Filco. We believe we could cut manufacturing costs because our material handling equipment could be

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

manufactured in the continent in which it is sold, i.e., Europe. With our manufacturing capabilities in the United States, this potential acquisition would allow a portion of the Sidewinder becoming assembled and manufactured in each of the two continents that purchase and use about 70% of all material handling equipment worldwide.

13

The primary objective that must be achieved to reach the aforementioned goal(s) is to secure the necessary financing required to fund the acquisition and manufacturing objectives of Filco and us. There can be no assurance that we will be able to raise sufficient capital necessary to complete the acquisition and fund the manufacturing objectives of Filco and us.

### Loans to Filco GmbH

From May 5, 2003 through September 2, 2003, we loaned Filco \$365,435 to acquire our initial interest in Filco. Such funds were provided in the form of a loan because we were not able to come up with sufficient funding to acquire our initial interest. Filco repaid principal and interest under this loan to us.

In March of 2004, a tentative agreement was negotiated with the principals of Filco in connection with the proposed acquisition. Our management determined to provide Filco limited funding in the form of loans, until financing could be obtained which would help guarantee that the operating capital needed for Filco operations could, in fact, be obtained. The tentative agreement reached with Filco provided that we would take a 51% controlling ownership interest in Filco. The tentative agreement required that we provide sufficient funding, which the parties estimated would be approximately \$1.3 million to be allocated in the form of equity in Filco. The tentative agreement required that we secure a guaranteed credit line for Filco of not less than \$5 million to be used as operating capital. A later addendum to the tentative agreement stated that we would acquire 75.1% controlling ownership interest in Filco.

The amounts loaned to Filco to date, even if unrecoverable, would not prevent us from commencing the manufacture of the Sidewinder Omni-Directional Lift Truck. The manufacture and sale of omni-directional material handling equipment is our primary goal. During the second quarter of 2005, we realized limited revenues from the first sales of the Sidewinder Omni-Directional Lift Truck.

We believe that our unsecured loans to Filco are recoverable if the proposed acquisition is not completed. Should Filco default with loan repayment, if such payment were due and requested, it would be much easier to put Filco into bankruptcy in Germany than it would be in the United States. Should Filco be put into bankruptcy, we, as the largest creditor, would be in position to do a legal takeover through bankruptcy administrators.

We loaned Filco approximately \$2.7 million through the end of 2004 and loaned an additional \$2.6 million during the first half of 2005. We intend to provide another \$5 million to Filco, either in the form of guaranteed credit lines or through additional sales our securities.

### Filco GmbH's Financial Condition

The improvement of Filco's financial condition and results of operations, as set forth below, furthers our belief that we would be able to recover principal and

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

interest due under our unsecured loans to Filco in the event that the proposed acquisition is not completed.

Filco manufactured approximately 550 lift trucks in 2003 and very limited numbers in 2004. In 2004, Filco did not have adequate operating capital to conduct business operations and had numerous issues with its worker's union to resolve. It was and is considered by Filco's management, a better long term negotiating tactic with unions to threaten to close the facility completely than to attempt to run the facility during negotiations. For this reason, as well as the lack of funding, Filco's plant was closed for much of 2004 and the beginning of 2005.

Filco reached accord with the union on March 30, 2005. Employees will be required to work a 40-hour week instead of 35 prior to additional hires. Wages have been decreased 20%. The resolution of the problems Filco was experiencing with its union is critical to the future success of the company. In addition, the loans that we granted to Filco as of the date hereof have created considerable improvements in Filco's financial condition and results of operations.

14

As a result of the above, Filco recommenced production of standard forklifts during the second quarter of 2005. In April 2005, Filco shipped new trucks and at least 14 re-conditioned vehicles. In addition, Filco began the assembly of a Russian tractor for distribution in Europe. This agreement calls for the production of 700 units to be assembled each year at a price of 2,800 Euros each. The Russian company will supply all parts. It is anticipated that Filco will be in full forklift production late in the third quarter of 2005. The final production schedule is contingent upon supply of parts from various vendors.

Results of Operations - Three Months Ended June 30, 2005 compared with Three Months Ended June 30, 2004

We have been a development stage company for the periods ended June 30, 2005 and 2004 and have not engaged in full-scale operations for the periods indicated. The limited revenues for the periods have been derived from the first sales of the Sidewinder Omni-Directional Lift Truck. During 2005, we expect to transition from a development stage company to an operating company as we begin production and sales of the Sidewinder Omni-Directional Lift Truck. Consequently, management believes that the year-to-year comparisons described below are not indicative of future year-to-year comparative results.

### Revenues

For the three-month period ended June 30, 2005, the Company had sales revenue of \$90,554. This compares to revenues of \$-0- for the three months ended June 30, 2004. The increase in sales revenue represents the first sales of the SIDEWINDER Omni-Directional Lift Truck to Airtrax Canada, a non-affiliate.

### Cost of Goods Sold

The Company's cost of goods sold for the three months ended June 30, 2005 amounted to \$107,765. For the three months ended June 30, 2004, the Company's cost of goods sold was \$-0-. The Company's \$107,765 cost of goods sold reflects the cost of the lift trucks sold during the three months ended June 30, 2005.

### Operating and Administrative Expenses

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

Operating and administrative expenses includes administrative salaries and overhead. For the three months ended June 30, 2005, the Company's operating and administrative expenses totaled \$1,284,288. Operating and administrative expenses totaled \$549,332 for the three months ended June 30, 2004. For the three months ended June 30, 2005 operating and administrative expenses increased \$734,956 compared with the same period of 2004. These changes are a result of the time and material costs preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

### Research and Development

We had no research and development costs for the three months ended June 30, 2005.

### Loss Before Income Taxes

Loss before income taxes for the three month period ended June 30, 2005 totaled \$1,318,452. For the three months ended June 30, 2004, loss before income taxes totaled \$545,237. The increase in loss before income tax for the three months ended June 30, 2005 compared with the same period of 2004 was caused by the time and material allocations preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

### Preferred Stock Dividends

For the three months ended June 30, 2005, the Company will issue 131,771 shares of common stock to satisfy \$51,563 dividends on preferred stock. During the three months ended June 30, 2004, the Company paid cash dividends on preferred stock in the amount of \$40,104. The preferred stock dividends are payable to a company that is owned by our President.

### Results of Operations - Six Months Ended June 30, 2005 compared with Six Months Ended June 30, 2004

We have been a development stage company for the six months ended June 30, 2005 and 2004 and have not engaged in full-scale operations for the periods indicated. The limited revenues for the periods have been derived from the first sales of the Sidewinder Omni-Directional Lift Truck. During 2005, we expect to transition from a development stage company to an operating company as we begin production and sales of the Sidewinder Omni-Directional Lift Truck. Consequently, management believes that the year-to-year comparisons described below are not indicative of future year-to-year comparative results.

15

### Revenues

For the six-month period ended June 30, 2005, the Company had sales revenue of \$167,545. This compares to revenues of \$-0- for the six months ended June 30, 2004. The increase in sales revenue represents the first sales of a total of 4 SIDEWINDER Omni-Directional Lift Trucks plus batteries and chargers.

### Cost of Goods Sold

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

The Company's cost of goods sold for the six months ended June 30, 2005 amounted to \$160,126. For the six months ended June 30, 2004, the Company's cost of goods sold was \$-0-. The Company's \$160,126 cost of goods sold reflects the cost of the lift trucks sold during the six months ended June 30, 2005.

### Operating and Administrative Expenses

Operating and administrative expenses includes administrative salaries and overhead. For the six months ended June 30, 2005, the Company's operating and administrative expenses totaled \$2,007,882. Operating and administrative expenses totaled \$848,141 for the six months ended June 30, 2004. For the six months ended June 30, 2005 operating and administrative expenses increased \$1,159,741 compared with the same period of 2004. These changes are a result of the time and material costs preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

### Research and Development

We had no research and development costs for the six months ended June 30, 2005.

16

### Loss Before Income Taxes

Loss before income taxes for the six month period ended June 30, 2005 totaled \$6,902,222. For the six months ended June 30, 2004, loss before income taxes totaled \$851,650. The principal reason for the increase in loss before income taxes for the six months ended June 30, 2005 compared with the same period of 2004 was a \$5.6 million charge for conversion expense resulting principally from conversion during the period of convertible debt to common stock, which is described in Note 2 to the financial statements. Other factors contributing to the increase in the 2005 loss were time and materials devoted to preparing for production of the SIDEWINDER and preparing the new assembly plant in Blackwood New Jersey.

### Liquidity and Capital Resources

As of June 30, 2005, the Company's cash on hand was \$1,098,691 and working capital was \$157. Since its inception, the Company has financed its operations through the private placement of its common stock. During the six months ended June 30, 2005, the Company sold an aggregate of 68,750 shares of common stock to accredited and institutional investors and issued 3,846,154 shares of common stock in conversion of \$5 million of convertible notes. During the six months ended June 30, 2004, the Company sold an aggregate of 3,610,125 shares of common stock to accredited and institutional investors and issued an aggregate of 163,840 shares of common stock in consideration for services rendered.

The Company anticipates that its cash requirements for the foreseeable future will be significant. In particular, management expects substantial expenditures for inventory, production, and advertising in anticipation of the rollout of its omni-directional forklift. The Company expects that it will be required to raise funds through the private or public offering of its securities.

The Company's initial production run of ten SIDEWINDER Omni-Directional Lift Trucks was completed in the first quarter of 2005. The Company will need additional funds to support production requirements beyond the initial production run of its forklift which are estimated to be \$10,000,000. Of the

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

total amount, approximately 25% is projected for parts and component inventory and manufacturing costs, with the balance projected as general operating expenditures, which includes overhead and salaries and the additional funds to complete the proposed acquisition of the 75.1% interest in Filco GmbH ("Filco"), primarily for Filco's working capital needs. As of June 30, 2005, the Company has loaned to Filco a total of \$5,266,136. The Company intends to complete the acquisition of Filco once operating capital for Filco is secured to finance their operations. The Company leased facilities starting in the second quarter of 2005 as corporate headquarters. This building will also facilitate the assembly of the SIDEWINDER and other omni-directional products, partial assembly of Filco lift trucks, if the proposed acquisition is completed, warranty work, and product distribution. The Company currently rents or leases space at Warminster PA and Flemington NJ. These leases and/or rentals will be terminated as the workload permits.

As of June 30, 2005, our working capital was \$157. Fixed assets, net of accumulated depreciation, as of June 30, 2005 was \$146,518 and total assets, as of June 30, 2005 was \$9,678,152. Fixed assets, net of accumulated depreciation, as of December 31, 2004 was \$93,587 and total assets, as of December 31, 2004 was \$4,600,023. Current liabilities as of June 30, 2005 were \$3,640,957 compared with \$3,510,093 at December 31, 2004.

17

### Item 3. Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of June 30, 2005. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not designed at a reasonable assurance level and were not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

On March 15, 2007, we determined that a restatement of our Quarterly Reports on Form 10-QSB for the three and six months ended June 30, 2005 and the three months ended March 31, 2005 was necessary in light of our review of our accounting for derivatives and based on recent interpretations of the accounting for certain financial instruments under SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and the Emerging Issues Task Force No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF No. 00-19").

We concluded that our 6% Series A Convertible Promissory Notes ("Notes")

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

and the Class A and Class B Warrants (collectively, the "Warrants") issued to certain accredited and/or qualified institutional purchasers pursuant to that certain Subscription Agreement (the "Subscription Agreement") dated as of February 11, 2005 contained embedded derivatives due to the registration rights and liquidated damages provisions contained in the Subscription Agreement. The embedded derivative provisions provided that we will pay liquidated damages in connection with the delay in filing of a registration statement on Form SB-2 in the event that we did not file such registration statement which registers the shares of our common stock underlying the Notes and the Warrants, or cause the Securities and Exchange Commission to declare such registration statement effective, each within specified time frames as set forth in the Subscription Agreement.

In particular, we will restate our financial statements contained in the Quarterly Reports to reflect the reduction in preferred stock outstanding, preferred stock dividend expense and deemed dividend expenses recorded in 2005 and 2006. In addition, we will restate our financial statements contained in the Reports to reflect a liability in connection with issuance of the Notes and the Warrants that contained an embedded derivative and conversion privileges, as of March 31, 2005, June 30, 2005 and September 30, 2005 as follows:

1. The accounting for the embedded derivatives within the Notes and the Warrants was determined under the guidance of SFAS 133 and EITF No. 00-19. The embedded derivatives are classified as a current liability in accordance with SFAS 133, and are recorded at fair value.

2. In reporting periods subsequent to the issuance of June 30, 2005, the embedded derivative has been revalued with the change to fair value recorded as income/(expense).

(b) Changes in internal control over financial reporting. We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

We did not make any changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-QSB that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We did however, make such changes subsequent to the period covered by this Quarterly Report on Form 10-QSB as a result of the needed restatements described above. We have hired additional qualified staff with SEC experience in the financial reporting and analysis area. We believe that this will avoid the reoccurrence of our material weaknesses and will strengthen our internal controls related to the financial closing, review, and analysis process so that our controls and procedures are effective in future periods.

### Part II - OTHER INFORMATION

#### Item 1. Legal Proceedings

None.

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 31, 2005, we entered into a 8% Series B Unsecured Convertible Debenture and Warrants Purchase Agreement (the "Purchase Agreement") with one accredited investor pursuant to which we sold a \$500,000 principal amount unsecured convertible debenture (the "Debenture") convertible into shares of our common stock, no par value, and stock purchase warrants (the "Warrants") to purchase shares of our common stock to a certain investor who is a party to the Purchase Agreement (the "Investor") for an aggregate purchase price of \$500,000.

The Debenture matures on May 31, 2007 and pays simple interest quarterly accruing at the annual rate of 8%, either in the form of our common stock, which shall be valued at the conversion price in effect on the trading day prior to the date interest is due, or cash, each at our option. The Debenture is convertible into shares of our common stock at a conversion price equal to \$1.30, subject to adjustment in certain events, including, without limitation, upon our consolidation, merger or sale of all or substantially all of our assets, a reclassification of our common stock, or any stock splits, combinations or dividends with respect to our common stock. We may in our discretion require that the Investor convert all or a portion of the Debenture and the Investor may in its discretion require that we redeem all or a portion of the Debenture.

In addition, we issued 384,615 Warrants to the Investor, representing an amount of Warrants equal to 100% of the quotient of (i) the principal amount of the Debenture issued at the closing date divided by (ii) the conversion price on the closing date. The Warrants are exercisable at a price equal to \$2.11, subject to adjustment in certain events, including, without limitation, upon our consolidation, merger or sale of all or substantially all of our assets, a reclassification of our common stock, or any stock splits, combinations or dividends with respect to our common stock, from the date of issuance until 5 years after the closing date.

First Montauk Securities Corp. (the "Selling Agent") acted as selling agent in connection with the offering. We issued a total of 38,462 Warrants on May 31, 2005 to the Selling Agent and the Selling Agent received gross fees of \$65,000, as consideration for services performed in connection with the issuance of the Debenture and Warrants to the Investor pursuant to the Purchase Agreement. The Selling Agent has no obligation to buy any Debenture or Warrants from us. In addition, we have agreed to indemnify the Selling Agent and other persons against specific liabilities under the Securities Act of 1933, as amended.

The issuance of the aforementioned securities was exempt from registration requirements of the Securities Act of 1933 pursuant to Section 4(2) of such Securities Act and Regulation D promulgated thereunder based upon the representations of each of the purchasers that it was an "accredited investor" (as defined under Rule 501 of Regulation D) and that it was purchasing such securities without a present view toward a distribution of the securities. In addition, there was no general advertisement conducted in connection with the sale of the securities.

19

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Security Holders

None.



## Edgar Filing: AIRTRAX INC - Form 10QSB/A

### Item 5. Other Information

None.

### Item 6. Exhibits

#### (a) Exhibits.

- 3.1 Certificate of Incorporation of Airtrax, Inc. dated April 11, 1997. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 1999).
  - 3.2 Certificate of Correction of the Company dated April 30, 2000 (Filed as an exhibit to Company's Form 8-K filed with the Securities and Exchange Commission on November 17, 1999).
  - 3.3 Certificate of Amendment of Certificate of Incorporation dated March 19, 2001 (Filed as an exhibit to Company's Form 8-K filed with the Securities and Exchange Commission on November 17, 1999).
  - 3.4 Certificate of Amendment of Certificate of Incorporation dated April 1, 2005 (Filed as an exhibit to Company's Form 10-QSB filed with the Securities and Exchange Commission on May 16, 2005).
  - 3.5 Amended and Restated By-Laws of the Company. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 1999).
  - 4.1 Form of Common Stock Purchase Warrant issued to investors pursuant to the May 2004 private placement. (Filed previously)
  - 4.2 Form of Common Stock Purchase Warrant dated as of November 22, 2004 and November 23, 2004. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 30, 2004).
- 20
- 10.1 Agreement and Plan of Merger by and between MAS Acquisition IX Corp. and Airtrax, Inc. dated November 5, 1999. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on January 13, 2000).
  - 10.2 Employment agreement dated April 1, 1997 by and between the Company and Peter Amico. (Filed as an exhibit to the Company's Form 8-K/A filed with the Securities and Exchange Commission on January 13, 2000).
  - 10.3 Employment agreement dated July 12, 1999, by and between the Company and D. Barney Harris. (Filed as an exhibit to the Company's Form 8-K/A filed with the Securities and Exchange Commission on November 19, 1999).
  - 10.4 Consulting Agreement by and between MAS Financial Corp. and Airtrax, Inc. dated October 26, 1999. (Filed as exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 1999).
  - 10.5 Employment Agreement effective July 1, 2002 by and between the Company and Peter Amico (filed as an exhibit to the Company's Form 10-KSB for

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

the period ended December 31, 2002)

- 10.6 Agreement dated July 15, 2002 by and between the Company and Swingbridge Capital LLC and Brian Klanica. (Filed as an exhibit to the Company's Form 8-K filed on August 7, 2002).
  - 10.7 Purchase Agreement, dated November 22, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership, Whalehaven Capital Fund. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.8 Joinder to the Purchase Agreement, dated November 23, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership and Linda Hechter. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.9 Registration Rights Agreement, dated November 22, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership, Whalehaven Capital Fund and First Montauk Securities Corp. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.10 Joinder to the Registration Rights Agreement, dated November 23, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership, Linda Hechter and First Montauk Securities Corp. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.11 Subscription Agreement, dated February 11, 2005, by and among Airtrax, Inc. and the investors named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
  - 10.12 Form of Series A Convertible Note of Airtrax, Inc. dated as of February 11, 2005 (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
  - 10.13 Form of Class A Common Stock Purchase Warrant of Airtrax, Inc. dated as of February 11, 2005 (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
- 21
- 10.14 Form of Class B Common Stock Purchase Warrant of Airtrax, Inc. dated as of February 11, 2005 (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
  - 10.15 Series B Unsecured Convertible Debenture and Warrants Purchase Agreement, dated May 31, 2005, by and between Airtrax, Inc. and the investor named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.16 Registration Rights Agreement dated May 31, 2005, by and between Airtrax, Inc. and the investor named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.17 Series B Unsecured Convertible Debenture of Airtrax, Inc. (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.18 Form of Stock Purchase Warrant of Airtrax, Inc. (Filed as an exhibit to

## Edgar Filing: AIRTRAX INC - Form 10QSB/A

- the Company's Form 8-K filed on June 6, 2005).
- 10.19 Letter Agreement dated May 31, 2005 by and among Airtrax, Inc. and the investors named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.20 Series C Unsecured Convertible Debenture and Warrants Purchase Agreement, dated October 18, 2005 by and between Airtrax, Inc. and the investor named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on October 24, 2005).
  - 10.21 Registration Rights Agreement dated October 18, 2005, by and between Airtrax, Inc. and the investor named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on October 24, 2005).
  - 10.22 Series C Unsecured Convertible Debenture of Airtrax, Inc. (Filed as an exhibit to the Company's Form 8-K filed on October 24, 2005).
  - 10.23 Form of Stock Purchase Warrant of Airtrax, Inc. (Filed as an exhibit to the Company's Form 8-K filed on October 24, 2005).
  - 10.24 Stock Acquisition Agreement dated as of February 19, 2004 by and between Airtrax, Inc. and Fil Filipov (Filed herewith).
  - 10.25 Amended and Restated Stock Acquisition Agreement effective as of February 19, 2004 by and between Airtrax, Inc. and Fil Filipov (incorporated by reference to our registration statement on Form SB-2 filed on November 3, 2005).
- 
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
  - 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
  - 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
  - 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 1st day of June 2007.

Edgar Filing: AIRTRAX INC - Form 10QSB/A

AIRTRAX, INC.

By: /s/ Robert M. Watson

-----  
Robert M. Watson, Chief Executive Officer,  
Acting Principal Financial Officer