

Edgar Filing: AIRTRAX INC - Form 10QSB

AIRTRAX INC
Form 10QSB
May 16, 2005

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 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
(State or other jurisdiction of
incorporation or organization)

22-3506376
(IRS Employer Identification No.)

870B Central Avenue, Hammonton, New Jersey 08037
(Address of principal executive offices)

(609) 567-7800
(Issuer's telephone number)

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

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 May 10, 2005, the issuer had 21,703,039 shares of common stock, no par value, issued and outstanding.

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

AIRTRAX, INC.
MARCH 31, 2005 QUARTERLY REPORT ON FORM 10-QSB

Edgar Filing: AIRTRAX INC - Form 10QSB

TABLE OF CONTENTS

	PAGE
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Balance Sheets	4
Statements of Operations and Deficit Accumulated During Development Stage	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Special Note Regarding Forward Looking Statements	10
Item 2. Management's Discussion and Analysis or Plan of Operations	11
Item 3. Controls and Procedures	12
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	13
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	13
Item 3. Defaults Upon Senior Securities	13
Item 4. Submission of Matters to a Vote of Security Holders	13
Item 5. Other Information	14
Item 6. Exhibits	14
SIGNATURES	16

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AIRTRAX, INC.

(A Development Stage Company)

FINANCIAL STATEMENTS

MARCH 31, 2005

(Unaudited)

Edgar Filing: AIRTRAX INC - Form 10QSB

CONTENTS

	Page

Balance Sheets	4
Statements of Operations and Deficit Accumulated During Development Stage	5
Statements of Cash Flows	6
Notes to Financial Statements	7

3

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

	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)
	-----	-----
ASSETS		

Current Assets		
Cash	\$ 3,187,890	\$ 641,477
Accounts receivable	76,991	--
Accrued interest receivable	147,447	86,667
Inventory	1,050,552	709,281
Prepaid expenses	--	5,113
Vendor advance	129,017	52,017
Deferred tax asset	282,559	224,414
Total current assets	\$ 4,874,456	\$ 1,718,969
Fixed Assets		
Office furniture and equipment	96,807	90,714
Automotive equipment	21,221	21,221
Shop equipment	26,446	24,553
Casts and tooling	205,485	205,485
Less, accumulated depreciation	349,959	341,973
Net fixed assets	257,489	248,386
Other Assets		
Advances to FiLCO GmbH	3,825,000	2,670,000

Edgar Filing: AIRTRAX INC - Form 10QSB

Patents - net	129,970	117,402
Utility deposits	65	65
	-----	-----
Total other assets	3,955,035	2,787,467
	-----	-----
TOTAL ASSETS	\$ 8,921,961	\$ 4,600,023
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 446,845	\$ 394,959
Accrued liabilities	463,013	459,565
Shareholder deposits for stock	--	
		1,403,174
Shareholder notes payable	34,459	33,455
	-----	-----
Total current liabilities	944,317	\$ 2,291,153
Stockholders' Equity		
Common stock - authorized, 100,000,000 shares without par value; 21,216,215 and 15,089,342 issued and outstanding, respectively	16,999,584	10,710,999
Preferred stock - authorized, 5,000,000 shares without par value; 275,000 issued and outstanding	12,950	12,950
Deficit accumulated during the development stage	(8,827,938)	(8,208,127)
Deficit prior to development stage	(206,952)	(206,952)
	-----	-----
Total stockholders' equity	7,977,644	2,308,870
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,921,961	\$ 4,600,023
	=====	=====

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

4

AIRTRAX, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS AND DEFICIT
ACCUMULATED DURING DEVELOPMENT STAGE
For the Three Month Periods Ended March 31, 2005 and 2004
(Unaudited)

	2005	2004	May 19, 1997 (Date of Inception) to March 31, 2005
	-----	-----	-----
SALES	\$ 76,991	\$ --	\$ 1,100,114
COST OF GOODS SOLD	52,361	--	522,732
	-----	-----	-----
Gross Profit (Loss)	24,630	--	577,382
OPERATING AND ADMINISTRATIVE EXPENSES	723,594	298,809	9,559,960
	-----	-----	-----
OPERATING LOSS	(698,964)	(298,809)	(8,982,578)
OTHER INCOME AND EXPENSE			

Edgar Filing: AIRTRAX INC - Form 10QSB

Interest expense	(40,272)	(7,604)	(215,336)
Interest income	61,144	--	147,811
Other income	136	--	78,430
	-----	-----	-----
LOSS BEFORE INCOME TAXES	(677,956)	(306,413)	(8,971,673)
	-----	-----	-----
INCOME TAX BENEFIT (STATE):			
Current	58,145	25,959	58,145
Prior years	--	--	717,142
	-----	-----	-----
Total Benefit	58,145	25,959	775,287
	-----	-----	-----
LOSS ACCUMULATED DURING			
DEVELOPMENT STAGE	(619,811)	(280,454)	(8,196,386)
	-----	-----	-----
DEEMED DIVIDEND ON PREFERRED STOCK	--	--	188,412
	-----	-----	-----
NET LOSS ATTRIBUTABLE TO COMMON			
SHAREHOLDERS	(619,811)	(280,454)	(8,384,798)
	-----	-----	-----
PREFERRED STOCK DIVIDENDS DURING			
DEVELOPMENT STAGE	--	(45,833)	(443,140)
	-----	-----	-----
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	\$ (619,811)	\$ (326,287)	\$ (8,827,938)
	=====	=====	=====
EARNINGS PER SHARE:			
NET LOSS ATTRIBUTABLE TO COMMON			
SHAREHOLDERS	\$ (619,811)	\$ (280,454)	
	-----	-----	
ADJUSTMENT FOR PREFERRED DIVIDENDS	(17,188)	(17,188)	
	-----	-----	
LOSS ALLOCABLE TO COMMON			
SHAREHOLDERS	\$ (636,999)	\$ (297,642)	
	=====	=====	
NET LOSS PER SHARE-			
Basic and Diluted	\$ (.04)	\$ (.03)	
	-----	-----	
WEIGHTED AVERAGE SHARES OUTSTANDING	15,523,209	9,336,042	

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

5

AIRTRAX, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
For the Three Month Periods ended March 31, 2005 and 2004
(Unaudited)

	2005	2004	May 19, (Date Incept to March
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$ (619,811)	\$ (280,454)	\$ (8,38
Adjustments to reconcile net income to net cash			

Edgar Filing: AIRTRAX INC - Form 10QSB

consumed by operating activities:

Charges not requiring the outlay of cash:			
Depreciation and amortization	10,833	9,053	31
Value of common stock issued for services .	5,113	145,539	2,83
Value of options granted for services	83,650	--	8
Increase in accrual of deferred tax benefit	(58,145)	(25,959)	(28)
Deemed dividends on preferred stock	--	--	18
Interest accrued on shareholder loan	1,004	1,998	2
Changes in current assets and liabilities:			
Increase in accrued interest receivable ..	(60,780)	--	(14
Increase in accounts receivable	(76,991)	--	(7
Increase in vendor advances	(77,000)	--	(12
(Decrease) Increase in accounts payable and accrued liabilities	(30,318)	(269,923)	88
Increase in prepaid expense	--	--	(14
Increase in inventory	(341,271)	(43,076)	(1,05

Net Cash Consumed By Operating Activities	(1,163,716)	(462,822)	(5,89
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of equipment	(7,986)	(2,427)	(35
Additions to patent cost	(14,298)	--	(17
Advances to FiLCO GmbH	(1,155,000)	(500,000)	(3,82

Net Cash Consumed By Investing Activities	(1,177,284)	(502,427)	(4,35
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds of issuance of convertible debt	4,277,500	1,213,874	4,27
Net proceeds of common stock sales	55,000	--	8,62
Proceeds from option exercises	--	--	1
Proceeds from exercise of warrants	554,913	--	64
Proceeds of sales of preferred stock	--	--	1
Borrowings (repayments) of stockholder loans	--	(52,005)	3
Preferred stock dividends paid in cash	--	(45,833)	(18
Principal payments on installment note	--	(349)	-----

Net Cash Provided By Financing Activities	4,887,413	1,115,687	13,43
Net Increase (Decrease) In Cash	2,546,413	150,438	3,18
Balance at beginning of period	641,477	37,388	-----

Balance at end of period	\$ 3,187,890	\$ 187,286	\$ 3,18
=====			

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

Edgar Filing: AIRTRAX INC - Form 10QSB

1. BASIS OF PRESENTATION

The unaudited interim financial statements of AirTrax, Inc. ("the Company") as of March 31, 2005 and for the three month periods ended March 31, 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 March 31, 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 included in the Annual Report on Form 10-KSB for the year ended December 31, 2004.

2. CAPITAL STOCK

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 5,000,000 for the preferred no par stock.

7

AIRTRAX, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 2005
(Unaudited)

3. COMMON STOCK AND WARRANTS

On February 11, 2005, the Company issued \$5,000,000 of 6% 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.

A total of 8,144,852 warrants was outstanding at March 31, 2005, as follows:

	Class A	Class B	Other Warrants
	-----	-----	-----
Outstanding at December 31, 2004			5,537,763
Issued in connection with conversion of convertible notes	1,923,077	961,538	384,616
	-----	-----	-----
	1,923,077	961,538	5,922,379

Edgar Filing: AIRTRAX INC - Form 10QSB

Reductions during quarter:		
Warrants exercised		(462,142)
Warrants voided		(200,000)
	-----	-----
	1,923,077	961,538
		5,260,237

		8,144,852
		=====

A total of 6,126,873 shares of common stock was issued during the first quarter of 2005, as follows:

Conversion of \$5,000,000 notes	3,846,154
Private placement sales	68,750
Shares issued based on warrants exercised	462,142
Issuance of shares sold in prior year	1,749,827

Total shares issued	6,126,873
	=====

8

AIRTRAX, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 2005
(Unaudited)

4. SUPPLEMENTAL CASH FLOWS INFORMATION:

Cash paid for interest was \$4 and \$2,735 respectively, for the quarters ended March 31, 2005, and March 31, 2004. There was no cash paid for income taxes during either the 2005 or 2004 quarters.

Shares of common stock sold during 2004 were issued during 2005. Proceeds of these stock sales were \$1,403,174.

5. OPERATING AND ADMINISTRATIVE EXPENSES

The following expenses are unaudited

	3 Months Ended 3/31/05	3 Months Ended 3/31/04
	-----	-----
Officer's Compensation	\$ 83,650	\$ -
Salaries	121,594	67,270
Marketing Expense	133,012	7,459
Production Costs	100,903	16,350
Professional Fees	118,364	32,607
Consulting-Administrative	5,113	51,250
Consulting-Marketing	-	75,000
Other Expenses	160,958	48,873
	-----	-----
Totals	\$723,594	\$298,809
	=====	=====

9

Edgar Filing: AIRTRAX INC - Form 10QSB

AIRTRAX, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 2005
(Unaudited)

6. CONTINGENCIES

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. Under the provisions of the tentative agreement, advances of \$1,300,000 would be converted to FiLCO capital and the seller, who will continue to own the remaining 24.9% of the FiLCO stock, would 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 will 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 March 31, 2005, the Company had not concluded the contract and had not issued any of the warrants or options contemplated by the tentative agreement.

10

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 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 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 unique 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.

Edgar Filing: AIRTRAX INC - Form 10QSB

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 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 March 31, 2005 and 2004, we had a net loss of \$(619,811) and \$(280,454), 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 870B Central Avenue, Hammonton, NJ 08037 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.

Results of Operations - Three Months Ended March 31, 2005 compared with Three Months Ended March 31, 2004

We have been a development stage company for the periods ended March 31, 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 March 31, 2005, the Company had sales revenue of \$76,991. This compares to revenues of \$0 for the three months ended March 31, 2004. The increase in sales revenue represents the first sales of the SIDEWINDER Omni-Directional Lift Truck.

Cost of Goods Sold. The Company's cost of goods sold for the three months ended March 31, 2005 amounted to \$52,361. For the three months ended March 31, 2004, the Company's cost of goods sold was \$0. The Company's \$52,361 cost of goods sold reflects the cost of the lift trucks sold during the three months ended March 31, 2005.

The Company is entitled to a benefit for the effect on income taxes on the net

Edgar Filing: AIRTRAX INC - Form 10QSB

operating loss. Accordingly, a benefit in the amount of \$58,145 has been recorded for the first quarter of 2005 and \$25,959 was recorded during the first quarter of 2004.

Operating and Administrative Expenses. Operating and administrative expenses includes administrative salaries and overhead. For the three months ended March 31, 2005, the Company's operating and administrative expenses totaled \$723,594. Operating and administrative expenses totaled \$298,809 for the three months ended March 31, 2004. For the three months ended March 31, 2005 operating and administrative expenses increased \$424,785 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.

Loss Before Income Taxes. Loss before income taxes for the three month period ended March 31, 2005 totaled \$677,956. For the three months ended March 31, 2004, loss before income taxes totaled \$306,413. The increase in loss before income tax for the three months ended March 31, 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.

Preferred Stock Dividends. During the three months ended March 31, 2005, the Company paid no dividends on preferred stock. During the three months ended March 31, 2004, the Company paid dividends on preferred stock in the amount of \$45,833. The preferred stock dividends are payable to a company that is owned by the Company's President.

Liquidity and Capital Resources - Three Months Ended March 31, 2005 compared with Three Months Ended March 31, 2004

As of March 31, 2005, the Company's cash on hand was \$3,187,890 and working capital was \$3,930,139. Since its inception, the Company has financed its operations through the private placement of its common stock. During the three months ended March 31, 2005, the Company sold an aggregate of 3,914,904 shares of common stock to accredited and institutional investors. During the three months ended March 31, 2004, the Company sold an aggregate of 1,831,250 shares of common stock to accredited and institutional investors and issued an aggregate of 93,745 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 \$2,000,000. Of the total amount, approximately 75% is projected for parts and component inventory and manufacturing costs, with the balance projected as general operating expenditures, which includes overhead and salaries. The Company also will require 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 March 31, 2005, the Company has loaned to Filco a total of \$3,825,000. The Company intends to complete the acquisition of Filco once operating capital for Filco is secured to finance their operations. The Company will lease 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

Edgar Filing: AIRTRAX INC - Form 10QSB

or leases space at Warminster PA and Flemington NJ. These leases and/or rentals will be terminated as the workload permits.

As of March 31, 2005, our working capital was \$3,930,139. Fixed assets, net of accumulated depreciation, and total assets, as of March 31, 2005, were \$92,470 and \$8,921,961, respectively. Current liabilities as of March 31, 2005 were \$944,317.

Item 3. Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

12

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

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

On February 11, 2005, we entered into a Subscription Agreement (the "Subscription Agreement") pursuant to which we sold an aggregate of \$5,000,000 of principal amount promissory notes (the "Notes") convertible into shares of our common stock, no par value, and Class A and Class B share purchase warrants (the "Warrants") to purchase shares of our common stock to certain purchasers who are a party to the Subscription Agreement (the "Purchasers").

The Notes mature on August 10, 2005 and pay simple interest accruing at the annual rate of 6%, either in the form of common stock, which shall be valued at the conversion price in effect at the maturity date, or cash, each at our option. The Notes are 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 of substantially all of our assets, a reclassification of our common stock, or any stock splits, combinations or dividends with respect to our common stock. On March 29, 2005, after the Company obtained stockholder approval to increase the Company's authorized common stock to 100 million shares, the Company converted all of the Notes into stock pursuant to the Subscription Agreement. Interest earned as of March 29, 2005 amounted to \$36,986. As a result thereof, the Company will issue the Purchasers a total of 28,451 shares of common stock in lieu of \$36,986 in cash for interest due thereunder.

In addition, we issued an aggregate of 1,923,077 Class A Warrants and 961,538 Class B Warrants, representing 50 Class A Warrants and 25 Class B Warrants for each 100 shares of common stock which would be issued on the closing date assuming the complete conversion of the Notes issued on the closing date at the conversion price in effect on the closing date. The Class A Warrants are exercisable at a price equal to \$1.85 from the date of issuance until 5 years

Edgar Filing: AIRTRAX INC - Form 10QSB

after the closing date. The Class B Warrants are exercisable at a price equal to \$2.11, representing 101% of the 3-day average closing bid prices of our common stock on the trading day immediately preceding the closing date, from the date of issuance until 5 years after the closing date. The Class A and Class B Warrants both have a cashless feature, only if the Registration Statement required to be filed pursuant to the financing is not available during the time that such Registration Statement is required to be effective.

First Montauk Securities Corp. (the "Selling Agent") acted as selling agent in connection with the offering. We issued a total of 384,616 Warrants on February 11, 2005 to the Selling Agent.

On September 14, 2004, options to purchase 25,000 shares of common stock were exercised by Nicholas Fenelli under the terms of his Employment Agreement with the Company. This stock was issued on March 29, 2005.

On March 29, 2005, the Company issued 6,174 shares of common stock to certain of its vendors as payment for services performed on behalf of the Company. These shares were earned on June 25, 2004 and September 15, 2004.

The issuance of the common stock, Notes, Warrants and options 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.

Item 3. Defaults Upon Senior Securities

None.

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

1. A Special Meeting of the Company's Stockholders was held on March 28, 2005 at 9:30 a.m. eastern time, at the Ramada Inn, 2216 West Landis Avenue, Vineland, New Jersey 08360.

2. There were present in person or by proxy 18,137,092 voting shares comprised of common stock, of a total of 15,387,092 shares of common stock entitled to vote as of the February 16, 2005 record date, and 275,000 shares of preferred stock entitled to vote.

13

The Company's common stock and preferred stock were the only classes of voting securities of the Company. The Company's common stock was entitled to one vote per share and the holder of shares of preferred stock were entitled to 10 votes per share.

3. 15,203,441 shares were voted in favor of the amendment to our certificate of incorporation to increase the number of authorized shares of common stock of the Company from 20,000,000 shares to 100,000,000 shares;

4. 8,050,353 shares were voted in favor of the amendment to our certificate of incorporation to increase the authorized shares of the Company's "blank check" preferred stock from 500,000 to 5,000,000 shares; and

5. 15,131,899 shares were voted in favor of the amendment to our certificate of incorporation to provide, to the fullest extent permitted by New Jersey law, that the Company's directors or officers shall not be personally liable to the

Edgar Filing: AIRTRAX INC - Form 10QSB

Company or its shareholders for damages for breach of such director's or officer's fiduciary duty.

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 herewith).

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).

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 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).

Edgar Filing: AIRTRAX INC - Form 10QSB

14

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).

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).

31.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Sarbanes-Oxley Section 302 (filed herewith).

32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).

15

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 16th day of May 2005.

AIRTRAX, INC.

Edgar Filing: AIRTRAX INC - Form 10QSB

By: /s/ Peter Amico

Peter Amico, Chief Executive Officer,
Principal Financial Officer and Chairman