

AIRTRAX INC  
Form 10KSB/A  
May 03, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

FORM 10-KSB/A  
(AMENDMENT NO. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

Commission file number: 001-16237

---

**AIRTRAX, INC.**

(Exact name of small business issuer as specified in its charter)

**New Jersey**  
(State or other jurisdiction of  
incorporation or organization)

**22-3506376**  
(I.R.S. Employer  
Identification No.)

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

**08012**  
(Zip Code)

---

Issuer's telephone number, including area code: (856) 232-3000

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: **Common Stock, no par value.**

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. "

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B and no disclosure will be contained, to the best of the issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The issuer's revenues for the fiscal year ended December 31, 2006 were \$1,346,000.

The aggregate market value of the Common Stock held by non-affiliates of the issuer as of April 12, 2007 was \$13,301,732.

The number of shares outstanding of the issuer's Common Stock as of April 12, 2007 was 24,376,887 shares.

**DOCUMENTS INCORPORATED BY REFERENCE: NONE**

Transitional Small Business Disclosure Format (check one): Yes  No

---

**AIRTRAX, INC.**

**2006 FORM 10-KSB ANNUAL REPORT**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I</b>	<b>4</b>
Item 1. Description of Business	5
Item 2. Description of Property	13
Item 3. Legal Proceedings	13
Item 4. Submission of Matters to a Vote of Security Holders.	13
<b>PART II</b>	<b>14</b>
Item 5. Market for Common Equity and Related Stockholder Matters.	14
Item 6. Management's Discussion and Analysis or Plan of Operation.	27
Item 7. Financial Statements.	29
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	23
Item 8A. Controls and Procedures.	
Item 8B. Other Information	46
<b>PART III</b>	<b>24</b>
Item 9. Directors, Executive Officers, Promoters and Control Persons: Compliance with Section 16(a) of the Exchange Act	
Item 10. Executive Compensation	
Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders	
Item 12. Certain Relationships and Related Transactions, and Director Independence	
Item 13. Exhibits	24
Item 14. Principal Accountant Fees and Services.	66

Explanatory Note

We have determined, after consultation with our independent registered public accounting firm, that a restatement of our financial statements for the year ended December 31, 2006 filed on Form 10-KSB on April 16, 2007, together with our quarterly report on Form 10-QSB for the period ended September 30, 2006 was necessary due to the issuance of Modification Agreements, 2% Unsecured Convertible Debentures and Stock Purchase Warrants, which were not previously recorded in our financial statements, to the note holders of the October 2005 private placement of \$1,548,000 in full settlement of liquidated damages resulting from our not filing a registration statement by a certain date registering for resale shares of common stock issuable upon conversion of their securities. In July 2006, we issued 2% Unsecured Convertible Debentures aggregating \$359,549 and Stock Purchase Warrants to acquire 110,808 shares of our common stock at \$1.65 per share. The conversion price of the shares underlying the note was \$1.56. Both the conversion price and the warrants purchase price have been adjusted to \$.45 due to the pricing of the February 20, 2007 private placement.

On April 30, 2007, we also determined that a restatement of our December 31, 2006 financial statements on Form 10-KSB, together with our quarterly reports on Form 10-QSB for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 was necessary to correct an error in accounting for derivatives associated with the private placement of 1,640,000 shares of common stock in November 2004, which was accompanied by warrants to purchase common stock.

The foregoing description of the new financial statements is not a complete summary. The new financial statements, which should be relied upon, will contain amendments to the Reports to effect these restatements. You are urged to read the complete documents on amended Form 10-KSB and Form 10-QSBs after filing on the website of the U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

For the convenience of the reader, this Form 10-KSB/A sets forth the original Form 10-KSB in its entirety. However, this Form 10-KSB/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-KSB is amended hereby. In addition, pursuant to the rules of the SEC, Item 13 of Part III to the Initial Filing 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 10KSB/A as Exhibits 31.1, 31.2 and 32.1, respectively.

## PART I

### NOTE REGARDING FORWARD LOOKING INFORMATION

Various statements in this Form 10-KSB and in future filings by us with the Securities and Exchange Commission, in our press releases and in oral statements made by or with the approval of authorized personnel constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "could," "currently envision," "estimate," "expect," "intend," "may," "project," "seeks," "we believe," and similar words or phrases and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by those forward-looking statements.

These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of the facts described in "Risk Factors." We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking information contained in this Form 10-KSB will, in fact, transpire.

Our fiscal year ends on December 31. References to a fiscal year refer to the calendar year in which such fiscal year ends.

### Item 1. Description of Business

#### Corporate Information and 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 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 could acquire, if we had finalized the acquisition, from 51% to 75.1%. Through December 31, 2005, we had loaned Filco GmbH an aggregate principal amount of \$6,275,881 with no loans made by us in 2006, exclusive of interest at 8% per annum, pursuant to a series of secured promissory notes. Security for these loans consisted of Filco's plant machinery, equipment and other plant property, and intellectual property, including designs and drawings. We used proceeds from the private placement offerings that we completed during 2004 and 2005 to fund the Filco loans.

On January 20, 2006, Filco filed for insolvency in Germany. As a result of the filing by Filco, we terminated the Acquisition Agreement on February 7, 2006. An auction sale of Filco's assets occurred on May 10, 2006. Due to the uncertainty of our position under German bankruptcy law, \$4,275,881 of the Filco advances was written off in 2005, and the remaining \$2,000,000 was written off in 2006. Accordingly, any inventory, equipment or outstanding advances to Filco have been written off during 2006 and there is no indication that the proceeds of any inventory or

equipment at the Filco plant will be returned to us.

4

---

In connection with the Acquisition Agreement, Mr. Filipov was to receive options to purchase 900,000 shares of our common stock at an exercise price of \$0.01. We did not issue such options because the Acquisition Agreement was terminated and we believe that the conditions for such issuance were never fulfilled. Mr. Filipov has indicated to us that he believes that the conditions were fulfilled and that we owe him the options. We and Mr. Filipov are endeavoring to reach a mutually acceptable settlement.

## **Introduction**

Our principal executive offices are located at 200 Freeway Drive, Unit One, Blackwood, NJ 08012 and our telephone number is (856) 232-3000. We are incorporated in the State of New Jersey.

Since 1995, substantially all of our resources and operations have been directed towards the development of the Omni-Directional wheel, related components, Omni-Directional Lift Trucks and other Omni-Directional Vehicles. Many of the components, including the unique shaped wheels, motors, and frames, have been designed by Airtrax and are specially manufactured for us.

Omni-Directional means that vehicles designed and built by us can travel in any direction. Our Omni-directional vehicles are controlled with a joystick. The vehicle will travel in the direction the joystick is pushed. If the operator pushes the joystick sideways, the vehicle will travel sideways. If the operator were to twist the joystick the vehicle will travel in circles. Our omni-directional vehicles have one motor and one motor controller for each wheel. The omni-directional movement is caused by coordinating the speed and direction of each motor with joystick inputs which are routed to a micro-processor, then from the micro-processor to the motor controllers and finally to the motor itself.

During the year ended December 31, 2006, we continued development of the COBRA and KING COBRA scissor lifts and the Omni-Directional power chair. We anticipate incurring more costs on these products and plan to begin production of the first COBRA model and the KING COBRA in 2007. The growth and development of our business will require a significant amount of additional working capital. We currently have limited financial resources and based on our current operating plan, we will need to raise additional capital in order to continue operations. However, we are in discussions with lenders to raise capital in order to continue operating, although we have no contracts or commitments for additional capital at this time. We currently do not have adequate cash to meet our short or long term objectives. In the event additional capital is raised, it may have a dilutive effect on our existing stockholders. However, there can be no assurance that additional financing will be available at terms that are suitable to us.

The assembly of our products is conducted at our executive offices. Currently 100% of our vehicle frames are being manufactured in the USA. These frames are shipped to the Blackwood plant for final assembly. Previously, partially assembled vehicles were shipped to the Blackwood facility from the Filco plant in Germany. Fourteen were shipped to the USA for final assembly. A total of approximately sixty frames were shipped from Bulgaria to the Filco plant for partial assembly. None of the frames shipped from Bulgaria were within specification. The twenty-seven frames shipped to the United States required re-machining in order to make them useable. The balance were rejected and abandoned with other parts inventory that was stored in the Filco plant.

## **OMNI-DIRECTIONAL TECHNOLOGY**

### **Prior History**

Omni directional vehicle technology has been the subject of research and development by universities, the Department of Defense, and industry for over 25 years. A Swedish inventor patented an early stage omni-directional wheel. Thereafter, the technology was purchased by the United States Navy and was advanced at the Naval Surface Warfare Center. The US Navy held the patent until its expiration in 1990. In 1996, the Navy transferred this technology to us for commercialization through a Cooperative Research and Development Agreement (CRADA).

### **Technology Description**

Since the technology transfer under the CRADA agreement, we have examined and redesigned many aspects of the system for use in various applications including lift trucks and other material handling equipment. In this regard, we refined control software and hardware, and tested a variety of drive component features on our pilot Omni-Directional lift trucks, scissor-lifts, and multi-purpose mobility platforms. Extensive demonstrations of prototype vehicles for commercial and military users in combination with market research have enabled us to direct our development efforts towards the products offering the best probability of success in the market.

Our engineers have designed other aspects of our machine to complement the unique functionality of our Omni-Directional technology. In so doing, we achieved a virtually maintenance free drive system which allows the vehicle free and unrestricted movement during operation. Each vehicle is powered with electric motors that eliminate brushes and commutators of conventional DC motors. The motors also are lubricated for life thereby eliminating the need for additional greasing and fittings. The ATX-3000 transmission uses a synthetic lubricant, and is sealed for life. The joysticks control all vehicle movement. Conventional drive trains, steering racks, hydraulic valve levers, and foot pedals for braking and acceleration are all non-existent.

On vehicles employing our Omni-Directional Technology, each wheel powered wheel has a separate electric motor, making the vehicle capable of traveling in any direction. The motion of the vehicle is controlled by coordinating all powered wheels through a microprocessor that receives input from an operator-controlled joystick(s). The joystick(s) control all vehicle movement (starting, steering, and stopping). The frame of our ATX-3000 Omni-Directional Lift Truck consists of a steel main frame and attached articulating axle, mobilized with four Omni-Directional wheels. The AC electric motor for each wheel turns its own wheel hub. Each wheel hub is encircled with multiple specially shaped rollers that are offset 45 degrees. By independently controlling the forward or rearward rotation of each wheel, the vehicle has the capability of traveling in any direction. The technology allows the vehicle to move forward, laterally, diagonally, or completely rotate within its own footprint, thereby allowing it to move into confined spaces without difficulty. The navigational options of an Omni-Directional vehicle are virtually limitless.

## **EXISTING AND PROPOSED PRODUCTS**

**SIDEWINDER Omni-Directional Lift Trucks.** We anticipate that we will add additional models of lift trucks to the SIDEWINDER line, including a Reach truck and an Order Picker truck..

**Omni-Directional Aerial Work Platform.** In late February 2004, we, in collaboration with MEC Aerial Platform Sales Corporation of Fresno, California ("MEC"), introduced a concept version of a scissor lift at the American Rental Association trade show in Atlanta. The scissor lift called the "PHOENIX(TM)", incorporated our Omni-Directional technology along with an MEC platform and lift mechanisms.





On March 13, 2004, we entered into a draft Product Development, Sales and Representation Agreement with MEC. The draft agreement called for the joint development of a proto-type and production versions of an Omni-Directional aerial work platform called the "3068ODS". During the development stage, each party was to provide the parts, which apply to that party's area of responsibility. We would provide all of the parts required for the Omni-Directional traction system and related control systems, and MEC would provide all of the parts required for the scissor lift and lifting apparatus and the control systems for the scissor lift apparatus. After development of the prototype version, the parties were to establish the cost of a commercial product, and if the cost of a commercial product was considered commercially viable, the parties would jointly develop a commercial version of the aerial work platform. If commercial production resulted, we would have been responsible for product manufacturing, and MEC or its affiliate would have been responsible to promote, market and sell the product to their network of approximately 200 distributors. Aerial work platform sales made by MEC would be subject to a royalty to us and, likewise sales made by us would be subject to a royalty to MEC. The amount of the respective royalties would be subject to agreement by the parties. Orders placed by MEC would be financed by MEC subject to agreed production schedules. We also planned to manufacture the COBRA(TM) AWP using the lifting mechanism as designed by us or procured from MEC and vendors other than MEC.

During 2004, MEC was repositioned to perform manufacturing in the United States thus removing their obligation under the agreement. During the latter part of 2004, we presented MEC with invoices for payment of tooling and engineering costs related to development of the PHOENIX(TM). The invoices were not paid by MEC who was, at that time, in the process of realigning their finances. As a result of the aforementioned changes, the agreement was modified. The modification stated that the 3068ODS aerial work platform project would be products of our company instead of an MEC designed or built vehicle. This meant that the project would be henceforth designed and built by us. MEC would still have the ability to make suggestions regarding vehicle design or construction, but the final product would be our product. In addition, the agreement was revised to provide that we would build another vehicle product line, the COBRA, which will be marketed exclusively by our dealers. The parties mutually agreed to the dissolution of the agreement and Airtrax has decided to design, build and market the AWP's under the COBRA brand exclusively. Discussions with MEC regarding ways that they can make Omni-Directional AWP's available to their customers are on going.

**Omni-Directional Personal Mobility Devices.** We have begun the development of new technologies which will enable us in the future, to develop Omni-Directional Personal Mobility Devices such as Power Chairs, Scooters, and patient beds or lifts. We have had discussions with several equipment manufacturers who may be interested in developing and marketing such products using these technologies. No agreements have been made. We will require additional funds to complete structural and ergonomic designs and proto-type vehicles, for further evaluation and testing. We cannot predict whether we will be able to successfully develop these products.

**Military Products.** During 1999, we were awarded a Phase I research contract under the Department of Defense's Small Business Innovation Research program (SBIR) to develop an Omni-Directional Multiple Purpose Mobility Platform (MP2). Under the Phase I base contract, we studied the application of the omni-directional technology for military use and were supervised by the Naval Air Warfare Center Aircraft Division (NAWC-AD) in Lakehurst, New Jersey. The contemplated use includes the installation of jet engines on military aircraft and the transportation of munitions and other military goods. We completed the Phase I base contract in 1999 and were subsequently awarded a Phase I option from NAWC-AD to further define the uses of the MP2. In July 2000, we were awarded a Phase II research contract under the SBIR program. Under the Phase II contract, we studied the feasibility of the MP2 for military purposes, and constructed two proto-type devices. This contract (with the option) was extended twice for 6 months each past the 42-month contract time period.. A completed proto-type MP2 was delivered to the US Navy during the end of the first quarter of 2004 for testing purposes. A second design, an Omni-Directional Jet Engine Handler conversion kit was constructed, and demonstrated as proof of concept of the modularity of the design. We have been advised by the US Navy that a non-SBIR sponsor for the MP2 program must be identified before a Phase II

option is exercised. A Phase III contract could be awarded without such a sponsor. Although our management believes the underlying Omni-Directional Technology for the proposed MP2 has significant potential for both commercial and military applications, we cannot predict whether any sales beyond the Phase II contract will result from the SBIR program. It is the belief of management that sales to the US military for products such as the MP2 will not materialize until the Omni-Directional Technology achieves commercial acceptance. We do believe, however, that products such as the ATX-3000 or the COBRA AWP can and will be sold to the US government, possibly including the military, through a GSA Multiple Awards Contract. We have begun the application process and hope it will be awarded by mid-2007. We cannot predict whether we will be successful in our application.

On September 7, 2006, we were awarded a \$415,000 contract to design and build a customized MP2 Equipment Handling Unit for the Israeli Air Force. The contract includes an option to build 5 additional units at \$95,000 each upon the acceptance of the first unit. It is estimated that the follow on orders that could result from this contract would be from 29 to 100 units over the next one to three years. The Critical Design Review was completed in November 2006, the design was approved and initial deliverables were provided. As a result, we received a first process payment of \$170,000 on December 12, 2006. We expect to begin the Acceptance Test Procedure in mid-April 2007 and upon successful completion, will receive a second payment of \$162,000. We cannot predict whether we will be able to successfully pass all of the acceptance tests and complete the contract, or that if we do so, that any subsequent orders will result.

## **CURRENT OPERATIONS**

Since 1995, substantially all of our resources and operations have been directed towards the development of the Omni-Directional wheel, related components, Omni-Directional Lift Trucks and other Omni-Directional Vehicles. Many of the components, including the unique shaped wheels, motors, and frames, have been designed by Airtrax and are specially manufactured for us. 29 ATX-3000 Omni-Directional lift trucks, carrying ANSI certification and the UL Label, have been shipped to customers in 2006, and nine others are ready to ship pending receipt of orders in the beginning of 2007.

ANSI testing refers to a series of tests including tilt testing the vehicle with masts it will use to make certain that it will not tip over in normal use. In addition, ANSI testing includes drop testing specified loads on the overhead guard to make certain that the overhead guard will not fail and crush the operator. These tests require us to turn the vehicle on its side to prove that the battery door lock will retain the battery in the event the vehicle is overturned. ANSI testing was performed and documented by us and we have certified that the tests have been completed and the vehicle has passed in all respects. This testing was required prior to the vehicle being sold to the public in the United States.

UL testing is completed on lift trucks to certify that is free of hazards with respect to fire and electrical shock. Completion of UL testing is generally considered the mark of companies who will take extra steps and precautions to protect their customers.

## **MANUFACTURING AND SUPPLIERS**

There was limited production in the second through fourth quarters of 2006. All of the units shipped in 2006 and our current inventory were assembled in the last quarter of 2005 and the first quarter 2006. Our General Manager for plant production, a former plant manager for GM, has established the production assembly process and procedure for our vehicle assembly. His efforts have helped to develop procedures, and to incorporate inventory control and quality assurance programs so that we stand ready to rapidly scale production capacity at the Blackwood facility. Initially this plant was equipped for nominal monthly production but is capable of ramping up for anticipated demand before year's end. We also plan to manufacture the KING COBRA Omni-Directional AWP in the Blackwood plant beginning in the third quarter of 2007.

Components for our products consist of over the counter products and proprietary products that have been specially designed and manufactured by various suppliers in collaboration with us. We believe that continual refinements of certain components will occur during the first six months of initial KING COBRA production in response to user feedback and additional product testing. We will strive to improve product functionality which may require additional refinements in the future. We consider the specially designed and manufactured products proprietary, and have entered into exclusive contractual agreements with certain suppliers to protect the proprietary nature of these products. These arrangements prohibit the supplier from producing the same or similar products for other companies who would want to compete directly with us in the omni-directional vehicle market. In addition, while we maintain single sources for some of the over the counter components, we are engaged in qualifying and securing agreements with second sources for all possible components

## **DISTRIBUTION AND PRODUCT MARKETING**

We intend to establish a national and international network of distributors and dealers to sell our SIDEWINDER and COBRA lines to users, however, we may sell directly to select national and international accounts and retailers. National and international accounts or retailers include, but are not limited to, nationally recognized businesses with national or international locations having facilities in numerous states or countries.

During 2004 and 2005, in anticipation of commercial production, we solicited interest from targeted dealers nationwide, and in certain instances, received contracts from a number of these dealers. Due to the delay in establishing commercial production, the contracts were not fulfilled. In 2004, we began soliciting dealers nationwide and distributors in several foreign countries. Principal terms of the agreement reached is that these dealers will purchase our products which include the SIDEWINDER or the COBRA AWP (scissor lift), or both and sell these products to their clients. Certain of the distributors were given "exclusive" territories, such as Airtrax Canada (Airtrax Canada is not owned or operated by us but we have authorized their use of the Airtrax Name). Airtrax Canada was required to purchase a minimum number of SIDEWINDER units to maintain the "exclusivity" portion of the agreement between firms. Airtrax Canada lost their exclusivity in 2006, as they did not meet the minimum requirements of the agreement. Presently, we are unable to distribute quantities of vehicles in Europe due to our inability to be certified compliant ("CE") with Europe. We expect to be CE compliant and able to distribute vehicles in 2007, although no assurances can be given. The dealers in the US generally have not been given exclusive territorial rights, but that has occurred in some areas. They are required to purchase one or more vehicles, however, to become a dealer. Credit terms are now available to approved dealers while foreign distributors are only sold under the terms of letters of credit. All foreign sales are paid in advance, under terms of an irrevocable letter of credit or approved credit terms. Targeted dealers for the SIDEWINDER brand will consist of selected premier equipment dealers, currently selling other lift truck products. The dealer network will consist of dealers who have substantial market share in the US, with a history of being able to sell and repair lift trucks and/or related material handling solutions. Several of the targeted dealers are significant sized entities, having annual sales in excess of \$100 million. We expect to provide a sales incentive to dealers through an aggressive pricing structure. Typically, a dealer will earn a commission ranging from \$500 to \$1,000 on the sale of a competitive lift truck. Our pricing structure will enable the dealer to receive much higher commissions from the sale of the SIDEWINDER products.

We also intend to use trade shows and print and television media to advertise and promote our Omni-Directional products. Print media will include advertisements in national and international publications such as web based ads, major material handling equipment magazines, and direct mailings to targeted distributors and end-users. Heavy equipment is rarely, if at all, advertised on television. However, we believe that television will provide an effective media for our product, due to its unique attributes. We believe that due to the current economic conditions, we will be able to capitalize on favorable advertising pricing. We also expect to be an exhibitor at industry trade shows from time to time, including the bi-annual ProMat show located in Chicago, Illinois.

### **Product Warranty Policies**

Our product warranty policy is similar to the warranty policies of other major manufacturers, i.e., one-year warranties on all parts and labor, and two years on major parts, however, our vehicles have fewer parts to warranty. In addition, manufacturers of our parts and vehicles have their own warranty policies that, in effect, take the financial exposure from our company. There are exceptions to the one year rule, such as the frame and significantly, the motors and controllers. These parts have an eighteen-month warranty, because the coverage begins when the product is shipped to us and not when the product is purchased.

### **MARKETS**

#### **Lift Trucks**

Our initial market focus was directed to the lift truck market. We believe that commercial versions of Omni-Directional Lift Trucks will improve the materials handling and warehousing industries creating potential markets globally. Industry data shows that during 2003 approximately 174,000 and 550,000 units were sold in the United States and worldwide, respectively (Modern Materials Handling). Based upon an average per unit sale price of \$28,500 (Modern Materials Handling estimate), the total market in the United States would approximate \$5 billion in 2003. This amount represents sales of a broad range of vehicles with price ranges from \$18,000 to \$31,000 for a standard 3,000-pound rated vehicle to \$75,000 or greater for specialty narrow aisle or side loader vehicles. We expect to continue to make inroads into this market with the introduction of additional SIDEWINDER brand material handling vehicles in the future.

#### **Aerial Work Platforms**

Aerial Work Platforms are used in the construction and warehousing industries, and are ideally suited for our Omni-Directional Technology. According to data provided by the United States Department of Commerce, this market consists of approximately \$1.2 billion in annual sales. Aerial Work Platforms and man lifts range in size from single user lifts to large off road machines. Of the total market, we expect to compete with a range of indoor man lifts. Great strides were made in our development of our AWP products during 2006, and we now plan to introduce two models under the COBRA brand in 2007, and additional units in 2008.

## **COMPETITION**

We expect to confront competition from existing products, such as standard and "Narrow Aisle or NA" lift trucks, and from competing technologies. Competition with standard lift trucks, which retail from \$16,000 to \$31,000, will be on the basis of utility, price, and reliability. We believe that we will compete favorably with a standard lift truck for reliability, and that a purchase decision will be based upon weighing the operational advantages of our products against its higher purchase price. NA and sideloader lift trucks retail at \$45,000 or greater. While our SIDEWINDER Omni-Directional Lift Truck cannot be classified as "narrow aisle", it can perform "narrow aisle" functions at a significantly less cost. We also are aware of multi-directional lift trucks now being offered by other manufacturers that retail from \$42,000 and higher for the standard version. These newer products have improved operational features, however, they are unable to travel in all directions, and hence are not omni-directional. These machines have to stop, turn all four wheels, and then proceed to drive in the sideward direction. Despite these improved operational features, management believes these manufacturers have adhered to older conventional methods and have added a substantial amount of parts to their lift trucks to achieve improved functionality, which contrasts with the design and features of our product as discussed previously herein. Therefore, to that extent, we believe that we maintain a competitive advantage to these newer products.

We recognize that many of these manufacturers are subsidiaries of major national and international equipment companies, and have significantly greater financial, engineering, marketing, distribution, and other resources than us. In addition, the patent on the first omni-directional wheels expired in 1990. Although we have received patent protection for certain aspects of our advanced technology, no assurances can be given that such patent protection will effectively thwart competition.

## **PATENTS AND PROPRIETARY RIGHTS**

In December 1997, we were awarded a patent for an omni-directional helicopter ground-handling device. On January 22, 2002, we received US patent #6,340,065 relating to our low vibrations wheels. On May 28, 2002, we received US patent #6,394,203 encompassing certain aspects of the omni-directional wheel with some features specific to the lift truck, and in April 15, 2003 we received US patent #6,394,203 relating to methods for designing low-vibration wheels. We also have several patent applications pending relating to other aspects of our technology. We expect to make future patent applications relating to various other aspects of our omni-directional technology. We also have filed a patent application for our hybrid power module concepts. At this time, no foreign patents have been issued for any of our technology.

On September 8, 2003, we entered an exclusive license agreement with Excalibur Design Services, Inc. and Nicholas Fenelli (Inventor), to secure and use certain proprietary intellectual properties known collectively as "Omni-Directional Vehicle Control Algorithms". Mr. Fenelli is also our Chief Operating Officer. Due to severe cash flow restrictions in 2006, we were unable to fulfill our obligations under the terms of the agreement and Excalibur rescinded the exclusivity portion of the agreement. As of December 31, 2006, no other party was granted rights to use the property. On February 19, 2007, we negotiated an amendment with Excalibur to reinstate our exclusive rights to the "Omni-Directional Vehicle Control Algorithms". We expect to resolve all issues to the mutual benefit of the two companies during 2007.

We also seek to protect our proprietary technology through exclusive supply contracts with manufacturers for specially designed and manufactured components.

## **PRODUCT LIABILITY**

Due to nature of our business, we may face claims for product liability resulting from the use or operation of our lift trucks or other products.





Presently, we maintain product liability insurance in the amount of \$1 million. We anticipate increasing this amount \$10 million in the future, as we deem necessary to do so. We obtained our insurance commensurate with the initial shipment of our Omni-Directional Lift Trucks.

## **EMPLOYEES**

As of March 31, 2007, we have 13 full time employees, and one contract employee, and engage consultants from time to time. We have no collective bargaining agreements with our employees and believe our relations with our employees are good.

### **Item 2. Description of Property**

We maintain our administrative offices and assembly facilities at 200 Freeway Drive, Unit One, Blackwood, NJ 08012. This facility is a total of 30,000 square feet with 3,000 square feet allocated to offices and cost a monthly rental fee of \$12,750.

### **Item 3. Legal Proceedings**

We are not currently a party to any legal proceedings. There has been no bankruptcy, receivership or similar proceedings.

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

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II

## Item 5. Market for Common Equity and Related Stockholder Matters.

Our common stock has been traded on the Over-The-Counter Bulletin Board under the symbol "AITX". The table below sets forth, for the periods indicated, the high and low closing prices per share of the common stock as reported on the Over-The-Counter Bulletin Board. These quotations reflect prices between dealers, do not include retail mark-ups, markdowns, and commissions and may not necessarily represent actual transactions. The prices are adjusted to reflect all stock splits.

	\$High	\$Low
2007 First Quarter	0.97	0.48
2006 First Quarter	2.39	1.08
Second Quarter	2.17	1.15
Third Quarter	2.03	0.92
Fourth Quarter	1.01	0.42
2005 First Quarter	3.07	1.83
Second Quarter	2.95	

- (1) The Old Trust
- (2) The New Trust
- (3) Each of the following members of the Aguirre Family (the Aguirre Family):

María Esther Aguirre Gómez  
Francisco de Jesús Aguirre Gómez  
María Adriana Aguirre Gómez  
Ana María Aguirre Gómez  
Carlos de Jesús Aguirre Gómez  
Rafael Felipe de Jesús Aguirre Gómez  
José Manuel Aguirre Gómez

(Each of the members of the Aguirre Family is a member of the technical committee of the Trusts. The technical committees of the Trusts (the Technical Committees) make administrative and investment decisions for their

respective  
Trust. The  
Technical  
Committees  
are organized  
pursuant to  
their  
respective  
Trust  
Agreements.)

(4)

The group is  
comprised of  
each of the  
members of  
the Aguirre  
Family and  
each of the  
Trusts (the  
Group ), to the  
extent that  
each such  
member of the  
Aguirre  
Family and  
each such  
Trust share  
power to vote  
or dispose, or  
direct the vote  
or disposition,  
of Series A  
Shares  
beneficially  
owned by the  
Group.

(b) **Addresses of Principal Business Offices:**

(i) The Old Trust s principal business address is:

BBVA Bancomer, S.A. Fideicomiso F/23020-1

Centro Bancomer

Avenida Universidad 1200

Col. Xoco

C.P. 03339, México, D.F.

México

(ii) The New Trust s principal business address is:

BBVA Bancomer, S.A. Fideicomiso F/29307-6

Centro Bancomer

Avenida Universidad 1200

Col. Xoco

C.P. 03339, México, D.F.

México

(iii) María Adriana Aguirre Gómez s principal business address is:

Impulsora Publicitaria Sonorense, S.A. de C.V.

Av. Kino y Quinta

Col. Comercial

C.P. 83449 San Luis Río Colorado, Sonora

México

(iv) Ana María Aguirre Gómez s principal business address is:

Edgar Filing: AIRTRAX INC - Form 10KSB/A

Radiotelevisora FAJ, S.A. de C.V.

Calle Guanajuato #224 105

Col. Roma

C.P. 06700 México, D.F.

México

(v) Rafael Felipe de Jesús Aguirre Gómez s principal business address is:

Blvd. Kukulcán km. 11.5

Zona Hotelera, Centro Comercial Flamingo Plaza Local 215

C.P. 77500 Cancún, Quintana Roo

México

(vi) José Manuel Aguirre Gómez s principal business address is:

Promoimpac, S.A. de C.V.

Calle Colima #410 Int. 401

Col. Roma

C.P. 06700 México, D.F.

México

---

(vii) The principal business address for the remaining members of the Aguirre Family, including María Esther Aguirre Gómez, Francisco de Jesús Aguirre Gómez and Carlos de Jesús Aguirre Gómez, is:

Grupo Radio Centro, S.A.B. de C.V.  
 Av. Constituyentes 1154 (7° Piso)  
 Col. Lomas Altas  
 C.P. 11950 México, D.F.  
 México

(c) **Citizenship:**

Each member of the Aguirre Family is a Mexican citizen, and each of the Trusts is a trust organized under the laws of the United Mexican States.

(d) **Title of Class of Securities:**

Series A Shares, without par value ( Series A Shares )

(e) **CUSIP Number:**

40049C 10 2

**Item 3. If this statement is filed pursuant to Rule 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a(n):**

- (a)  Broker or dealer registered under Section 15 of the Act;
- (b)  Bank as defined in Section 3(a)(6) of the Act;
- (c)  Insurance company as defined in Section 3(a)(19) of the Act;
- (d)  Investment company registered under Section 8 of the Investment Company Act of 1940;
- (e)  Investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- (f)  Employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g)  Parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h)  Savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

Edgar Filing: AIRTRAX INC - Form 10KSB/A

- (i)  Church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940; or
  - (j)  Group, in accordance with Rule 13d-1(b)(1)(ii)(J).
-

**Item 4. Ownership.****(a)-(b) Amount Beneficially Owned and Percent of Class:**

The Reporting Persons had, as of December 31, 2006, beneficial ownership of the following number and percentage of Series A Shares:

	Series A Shares	
	Number	% of Class <sup>(1)</sup>
Old Trust	11,669,527	7.2%
New Trust	72,351,119	44.5%
María Esther Aguirre Gómez	84,527,780 <sup>(2) (3)</sup>	51.9%
Francisco de Jesús Aguirre Gómez	84,020,646 <sup>(2)</sup>	51.6%
María Adriana Aguirre Gómez	84,020,646 <sup>(2)</sup>	51.6%
Ana María Aguirre Gómez	84,020,646 <sup>(2)</sup>	51.6%
Carlos de Jesús Aguirre Gómez	84,535,413 <sup>(2) (4)</sup>	52.0%
Rafael Felipe de Jesús Aguirre Gómez	84,215,415 <sup>(2) (5)</sup>	51.8%
José Manuel Aguirre Gómez	84,065,646 <sup>(2) (6)</sup>	51.7%

<sup>(1)</sup> Based upon 162,724,561 Series A Shares issued and outstanding as of December 31, 2006.

<sup>(2)</sup> All Series A Shares beneficially owned by the Old Trust and the New Trust (the Family Shares ) are held for the benefit of the Aguirre Family and are deemed to be beneficially owned by each member of the Aguirre Family, each of whom is deemed to share power to vote or dispose, or direct the vote or disposition of, the Family Shares as a member of each of the Technical Committees.

<sup>(3)</sup> Includes 402,374 Series A Shares and 11,640 American Depositary Shares (ADSs ) beneficially owned by María Esther Aguirre Gómez, in addition to the Family Shares. Each ADS represents nine Ordinary Participation Certificates (CPOs ), each representing one Series A Share.

<sup>(4)</sup> Includes 249,267 Series A Shares and 29,500 ADSs beneficially owned by Carlos de Jesús Aguirre Gómez, in addition to the Family Shares. Each ADS represents nine CPOs, each representing one Series A Share.

<sup>(5)</sup> Includes 21,641 ADSs beneficially owned by Rafael Felipe de Jesús Aguirre Gómez, in addition to the Family Shares. Each ADS represents nine CPOs, each representing one Series A Share.

<sup>(6)</sup> Includes 5,000 ADSs beneficially owned by José Manuel Aguirre Gómez, in addition to the Family Shares. Each ADS represents nine CPOs, each representing one Series A Share.

The Group, as of December 31, 2006, may be deemed to have beneficially owned 85,282,316 Series A Shares, representing 52.4% of the Issuer's total Series A Shares outstanding as of December 31, 2006.



(c) **Number of shares as to which such person has:**

- (i) **Sole power to vote or to direct the vote:** See Item 5 on pages 2 through 10.
- (ii) **Shared power to vote or to direct the vote:** See Item 6 on pages 2 through 10.
- (iii) **Sole power to dispose or to direct the disposition of:** See Item 7 on pages 2 through 10.
- (iv) **Shared power to dispose or direct the disposition of:** See Item 8 on pages 2 through 10.

**Item 5. Ownership of Five Percent or Less of a Class.**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be  the beneficial owner of more than five percent of the class of securities, check the following:

**Item 6. Ownership of More than Five Percent on Behalf of Another Person.**

Not applicable.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.**

Not applicable.

**Item 8. Identification and Classification of Members of the Group.**

See Exhibit 1 attached for the identities of the members of the Group.

**Item 9. Notice of Dissolution of Group.**

Not applicable.

**Item 10. Certifications.**

Not applicable.

---

**SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 2, 2007

BBVA BANCOMER, S.A.,

as Trustee of Trust No. F/23020-1, and

solely on behalf of Trust No. F/23020-1

/s/ Alfredo Azpeitia Mera

By: Alfredo Azpeitia Mera

Attorney-in-Fact

BBVA BANCOMER, S.A.,

as Trustee of Trust No. F/29307-6, and

solely on behalf of Trust No. F/29307-6

/s/ Alfredo Azpeitia Mera

By: Alfredo Azpeitia Mera

Attorney-in-Fact

\*  
María Esther Aguirre Gómez

\*

Francisco de Jesús Aguirre Gómez

\*

María Adriana Aguirre Gómez

\*

Ana María Aguirre Gómez

\*

Carlos de Jesús Aguirre Gómez

\*

Rafael Felipe de Jesús Aguirre Gómez

\*

José Manuel Aguirre Gómez

\* /s/ Alfredo Azpeitia Mera  
By: Alfredo Azpeitia Mera  
Attorney-in-Fact

---

**Exhibit Index**

Exhibit 1 Identification and Classification of Members of the Group.

Exhibit 2 Joint Filing Agreement.

The Powers of Attorney for the Old Trust, the New Trust and the Aguirre Family filed as exhibits to Schedule 13G (Amendment No. 6) filed with the Securities and Exchange Commission on March 17, 2005 are hereby incorporated herein by reference.

---