



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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of March 15, 2004, the number of shares issued and outstanding of issuer's common stock, no par value, was 8,876,552.

### ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS

Check whether the issuer has 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 \_\_\_\_\_

### DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (Check One): Yes No: X

### EXPLANATORY NOTE

In connection with the preparation of the Airtrax, Inc. (the "Company") registration statement on Form SB-2, on January 12, 2005, the Company determined that the financials statements included in the Company's Annual Report on Form 10-KSB for the period ended December 31, 2003 did not contain certain expenses which were incurred during that period. Such financial statements should no longer be relied upon. In particular:

- o A deemed dividend in the amount of \$188,412 was charged to operations during 2003 but not reported on the 10-KSB financial statements in the statement of operations as an expense. This deemed dividend is the excess of the fair market value of the 246,731 shares issued in satisfaction of dividends on the Company's preferred stock over the discounted amount at which they are issued. This deemed dividend was added to paid in capital. This revision, coupled with certain other increases in administrative and other expenses totaling \$16,380, resulted in an adjustment of the deficit accumulated by the Company during its development stage to \$2,363,695 for the year ended December 31, 2003, an increase of \$204,792, as well as a corresponding adjustment to the same from May 19, 1997, the date of the Company's inception, to December 31, 2003.

In addition to the foregoing, the following additional changes to the Company's financial statement have been made:

- o The Company's balance sheet for the year ended December 31, 2003 was adjusted to increase total assets by \$1,620, which resulted in a corresponding increase in stockholder's equity to \$99,983. Further offsetting changes resulting from the changes to the statement of operations resulted in a revision of the common stock portion of the Stockholders' Equity from 5,891,729 to 6,098,141.

- o The statement of changes in stockholder's equity for the year ended December 31, 2003 was revised to reflect an increase of 75,165 shares which were issued for services, resulting in a balance of 8,696,552 shares as of December 31, 2003.

- o The statement of cash flows for the years ended December 31, 2003 was revised due to the aforementioned changes reflecting a net loss in the amount of \$2,282,946. In addition, the aforementioned changes resulted in total net cash consumed by operating activities in the amount of \$(705,790), total net cash consumed by investing activities in the amount of \$(99,430) and total net cash produced by financing activities in the amount of \$791,177, each for the year ended December 31, 2003. Corresponding adjustments were made to operating, investing and financing activities from May 17, 1997, the date of the Company's

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

inception, to December 31, 2003.

o Certain adjustments were made to Notes 5, 6, 7, and 8, and new Notes 9, 11, and 12 were added to the notes to the financial statements for the year ended December 31, 2003.

The Company has discussed this matter with its independent accounting firm.

The new financial statements which should be relied upon are contained in this Form 10-KSB/A to be filed concurrently with the Company's Current Report on Form 8-K.

### PART I

Item 1. Description of Business.

#### 1

##### INTRODUCTION.

Airtrax, Inc. ("Airtrax" or "Company") was incorporated in the State of New Jersey on April 17, 1997. On May 19, 1997, the Company entered into a merger agreement with a predecessor company that was incorporated on May 10, 1995. The Company was the surviving company in the merger.

Effective November 5, 1999, the Company merged with MAS Acquisition IX Corp ("MAS"), and was 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 Airtrax. After giving effect to fractional and other reductions, MAS shareholders received 57,280 shares of Airtrax as a result of the merger.

As used in this Form 10-KSB, the terms "Company" or "Airtrax" refers to Airtrax, Inc. and companies previously acquired.

Airtrax is a development stage company that has developed an omni-directional wheel technology intended to be used for various commercial applications.

The Company maintains its administrative office at 870B Central Avenue, Hammonton, New Jersey 08037, its telephone number is (609) 567-7800, and its website is [www.Airtrax.com](http://www.Airtrax.com).

### THE COMPANY

#### 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. 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. 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

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

held the patent until its expiration in 1990. In 1996, the Navy transferred this technology to the Company for commercialization through a Cooperative Research and Development Agreement (CRADA).

### Technology Description.

Since the technology transfer under the CRADA agreement, the Company has examined and redesigned many aspects of the system for use in various applications including forklifts and other material handling equipment. In this regard, the Company refined control software and hardware, and tested a variety of drive component features on its pilot omni directional lift trucks and scissor-lifts. Extensive demonstrations of prototype vehicles for commercial and military users in combination with market research enabled the Company to direct its initial development efforts towards the material handling products, offering the best probability for successful market entry.

Management designed other aspects of its machine to complement the unique functionality of its omni-directional technology. In so doing, the Company achieved a virtually maintenance free unit which allows the operator free and unrestricted movement during operation. Each vehicle is powered with AC motors eliminating brushes and commutators of conventional DC motors. The AC motors also are lubricated for life thereby eliminating the need for additional greasing and fittings. The transmission uses a synthetic lubricant, and is sealed for life. The joystick controls all vehicle movement, therefore conventional drive trains, steering racks, hydraulic valve levers, and foot pedals for braking and acceleration are all non-existent.

On a four-wheel omni-directional vehicle employing the Company's technology, each 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 four wheels through a micro-processor that receives input from an operator-controlled joystick. The joystick controls all vehicle movement (starting, steering, and stopping). The framework of the Company's omni-directional lift truck consists primarily of a steel frame 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 tapered rollers that are offset 45 degrees. The tapered rollers, covered with polyurethane, are extremely durable. 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

2

confined spaces without difficulty. The navigational options of an omni-directional vehicle are virtually limitless. The omni-directional wheel can be manufactured in almost any size depending upon the application. For instance, management believes the wheel can be used on miniature vehicles or massive load-carrying vehicles.

### RECENT TRANSACTION WITH FILCO GMBH

On March 9, 2004, the Company entered into a Stock Acquisition Agreement, and Addendum, with Fil Filipov to acquire 51% of the capital stock of Filco GmbH, a German company. In April 2003, Filco acquired substantially all of the assets of Clark Material Handling of Europe GmbH at Clark's facility located in Rheinstar Mulhiem a.d. Ruhr., Germany, excluding, however, building and land and rights to the Clark name. Filco 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. (See "Current Operations -Transaction with Filco GmbH" below)

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

### EXISTING AND PROPOSED PRODUCTS.

Sidewinder ATX. The Company anticipates that its Sidewinder Omni-Directional lift truck will be available with rated lift capacities ranging from 3000 pounds and higher. The Company's SIDEWINDER ATX-3000 Omni-Directional lift truck, which is its 3,000 pound model, features its revolutionary omni-directional technology. Conventional steering racks and foot pedals are non-existent allowing impediment free ingress and egress. This lift truck will deliver unequalled maneuverability providing significantly improved operating efficiencies in the materials handling industry. The dealer price is expected to retail at prices similar to or slightly higher than high end, comparably sized standard forklifts. The "street prices" of similar rated, standard (non-omni-directional) forklifts range from \$16,000 to \$31,000 per unit. Other specialty forklifts, that are multi-directional sell for \$42,000 and greater, and vehicles considered very narrow aisle (VNA), are priced from \$75,000 and higher per unit. The Company believes that, due to its unique features, the omni-directional lift truck will support a price slightly higher than the average selling price of a conventional forklift.

Airtrax Conventional Forklift. In the event of the successful acquisition of Filco GmbH, the Company expects to use the Filco plant and operations to produce and sell a line of conventional forklifts manufactured under an Airtrax name for distribution in the United States and other geographical markets. It also is contemplated that the SIDEWINDER ATX-3000 Omni-Directional lift truck will be manufactured at the Filco plant and distributed by Filco to European or Middle East markets.

Omni-Directional Aerial Work Platform. In late February 2004, the Company in collaboration with MEC Aerial Platform Sales Corporation of Fresno, California introduced a concept version of a scissor lift at the American Rental Association trade show in Atlanta. The scissor lift called the "Phoenix" incorporated the Company's omni-directional technology along with an MEC platform and lift mechanisms. The vehicle contains features presently unavailable on conventional aerial work platforms. For example, similar to the Company's lift truck, the aerial work platform's movement is controlled by a joystick. Movement to a particular spot or location at a job site can be accomplished easily due to the omni-directional technology, thereby eliminating the back and forth positioning typically associated with conventional platforms. Company designed control systems allow the operator to move at very regulated and easily controlled acceleration and speed, virtually eliminating operator error. The machine can climb over obstacles that would impede other machines. Our aerial work platform has the ability to climb over obstacles up to a height of one-third the overall wheel diameter. The wheel used on the aerial work platform has a 17" total diameter. Accordingly, this vehicle can climb over obstacles more than 5.66" high. The ability to "climb over" obstacles is an inherent advantage of our omni-directional technology. This is a feature which we believe no other aerial work platform can perform, or if another aerial work platform can perform, it is to a very limited degree. Generally, any "wheeled" vehicle can "climb" over some obstacles, however, other "wheeled" vehicles cannot climb over obstacles as high as the one-third of the wheel's diameter. The Company believes that, similar to its lift truck, the improved functionality of the aerial work platform will result in increased productivity at the job-site.

On March 13, 2004, the Company entered into a draft Product Development, Sales and Representation Agreement with MEC. The draft agreement calls for the joint development of a proto-type and production versions of an omni-directional aerial work platform called the "Phoenix". During the development stage, each party will provide the parts, which apply to that party's area of responsibility. The Company will provide all of the parts required for the omni-directional traction system and related control systems, and MEC will provide all of the parts required for the scissor lift and lifting apparatus and

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

the control systems for the scissor lift apparatus. After development of the prototype version, the parties will establish the cost of a commercial product, and if the cost of a commercial product is considered commercially viable, the parties will jointly develop a commercial version of the aerial work platform.

If commercial production results, the Company will be responsible for product manufacturing, and MEC or its affiliate will be responsible to promote, market and sell the product to their network of approximately 200 distributors. Aerial

3

work platform sales made by MEC will be subject to a royalty to Airtrax and, likewise sales made by Airtrax will be subject to a royalty to MEC. The amount of the respective royalties will be subject to agreement by the parties. Orders placed by MEC will be financed by MEC subject to agreed production schedules. The parties expect to enter into a more formal agreement to further define the relationship of the parties. At this time, the Company cannot predict whether a formal agreement will be entered into between the parties, or whether any sales will result from the aerial work platform to be developed by the parties.

Omni-directional Wheelchair. Over 43 million disabled and aging Americans are protected by the Americans with Disabilities Act of 1990 (ADA). This law became effective in 1991, and now requires businesses with over 15 employees to comply with specifications which enable persons with disabilities access buildings. As a result of increased physical access, the Company believes that persons with disabilities will experience an increased number of employment and other opportunities. The Company has conducted a preliminary design of an omni-directional wheel for wheelchair applications. Based upon the preliminary design, the Company believes that it can retail an omni-directional wheelchair for under \$6,000. Wheelchair pricing ranges from \$3,500 for a standard unit to \$30,000 for units with improved functionality such as stair climbing capability.

The Company will require additional funds to complete a structural and ergonomic design of a proto-type wheelchair, and to construct the proto-type for further evaluation and testing. The Company cannot predict whether it will be able to successfully develop this product.

Military Products. During 1999, the Company was 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, the Company studied the application of the omni-directional technology for military use and was 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. The Company completed the Phase I base contract in 1999 and was subsequently awarded a Phase I option from NAWC-AD to further define the uses of the MP2. In July 2000, the Company was awarded a Phase II research contract under the SBIR program. Under the Phase II contract, the Company is studying the feasibility of the MP2 for military purposes, and will culminate with the construction of one or more proto-type devices. This contract (with the option) was extended twice for 6 months each past the 42-month contract time period. Contract revenues were \$750,000. Through December 31, 2003 the Company has received approximately \$720,000 in revenues from the Phase II contract, and completed the production design of the MP2. 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 vehicle, an omni-directional jet engine installation machine is being constructed for the US Navy, pending receipt of additional funding from the SBIR program. The Company has 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 management believes the underlying omni-directional technology for the proposed MP2 has

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

significant potential for both commercial and military applications, the Company 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 military for products such as the MP2 or the MHU-110 engine handler 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.

In connection with the MP2, on December 11, 2003, the Company entered into a Teaming Agreement with United Defense, L.P., Arlington, Virginia. Under the agreement, United Defense agreed to provide the exclusive manufacture, marketing and support for the MP2 and any derivative products in respect to any contracts awarded to the Company by U.S. Department of Defense and any international military customers under the SBIR arrangement.

We have also developed a traditional helicopter ground handling machine which has been marketed by us on a limited basis. This vehicle, Helitrax, was a patented design using technology that we purchased in 1995 under our predecessor company, Air Track Inc. The patented device was redesigned by us to include many features which we believe are needed by industry maintenance crews and by pilots. Helitrax was sold from 1995 through 2001 in limited amounts, in no more than approximately 30 units total, and sales were discontinued because of time constraints required getting the Sidewinder Omni-Directional lift truck to market.

### CURRENT OPERATIONS.

Since 1995, substantially all of the Company's 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 its components, including the unique shaped wheels, motors, and frames, have been specially designed by the Company and specially manufactured. Four pilot models of the commercial omni-directional lift truck are currently operational.

The Company has commenced and is near completion of its initial production run consisting of 10 units of its Sidewinder ATX-3000 Omni-Directional Lift Truck.

4

Substantially all of the parts including frames, motors, controllers, and micro-processors have been ordered and received by the Company, and are partially assembled. The initial production run will be completed upon receipt of wheels and other components from suppliers which is expected in the second quarter of 2004. Unit assembly is undertaken by Crane and Machinery, Inc., Bridgeview, Illinois under Company specifications. UL (Underwriters Laboratories) and final ANSI (American National Standards Institute) testing is expected to be completed from 30 to 90 days from production completion. Following required testing, the Company expects to sell these units to select dealers in the United States. The Company has received purchase orders for its initial production run of 10 units.

ANSI testing refers to a series of tests including tilt testing the vehicle with each of the masts it will use to make certain that it will not fall over with a raised load at specified tilt angles. 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 over to prove that the battery door lock will contain the battery in the event the vehicle is overturned. ANSI testing is performed by us and we must certify and document that the tests have been completed and the vehicle has passed in all respects. This testing is required prior to the vehicle being sold to the public in the United States.

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

UL testing is completed on lift trucks because we believes it is more productive to sell vehicles that have passed the extra safety and performance test requirements mandated by UL. Generally UL testing hinges around electrical issues that could cause fires to the vehicles and/or property. Most of the more prominent lift truck manufacturers complete UL testing on electrically operated lift trucks. Completion of UL testing is generally considered the mark of companies who will take extra steps and precautions to protect their customers. UL approval is a feature that salespersons can use to their advantage when selling vehicles because many insurers will not insure premises that use lift trucks that are not UL rated.

Transaction with Filco GmbH.

On March 9, 2004, the Company entered into a Stock Acquisition Agreement, and Addendum, 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 at Clark's facility located in Rheinstar Mulhiem a.d. Ruhr., Germany, excluding, however, building and land and rights to the Clark name. Filco 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. Filco GmbH has been operating this plant since July 1, 2003.

The consideration for the acquisition of equity interest in Filco is the payment to Filco of approximately \$1,300,000 and the issuance of stock options to Mr. Filipov to acquire 900,000 shares of common stock of the Company. Of the total amount due, \$300,000 has been paid by the Company, \$300,000 was due on March 15, 2004, \$300,000 is due on May 2, 2004 and the balance is due on June 2, 2004. The Company has used proceeds from its private placement offering conducted during the first quarter of 2004 to pay the initial \$300,000, and expects to use additional proceeds from the offering to pay the balance due under the agreement. The amounts paid to Filco will be in the form of working capital loans to Filco. After payment of the entire amount, the Company's loan and an existing loan in favor of Mr. Filipov for the same approximate amount may be converted to equity of Filco. The stock option to be issued to Mr. Filipov to acquire 900,000 shares of the Company's common stock will be exercisable at a price per share of \$0.01. No more than 12.5% of the options can be exercised during any one year. Accordingly, Mr. Filipov cannot exercise the options to receive more than an aggregate of 112,500 shares of our common stock per year. Any increase on this exercise limit is subject to the approval of our board of directors. Mr. Filipov also will be appointed a director of the Company and will receive an additional 100,000 shares of common stock of the Company for his role as director. Although the proposed acquisition with Filco has not yet been completed, we will appoint Mr. Filipov a director of our company because management believes that his credentials are extremely viable and valuable to our credibility in the investment and materials handling communities, particularly in Europe. Mr. Filipov has been employed in the materials handling industry virtually all of his life. We believe that his associations and relations in this industry can and will aid us as we pursue our business objectives. The Company will be required to register with the Securities and Exchange Commission all of the shares issuable to Mr. Filipov under Form SB-2, including those underlying the described stock options. The Company can not predict whether it will raise sufficient funds to pay all amounts due under the Filco agreement.

Filco has informed the Company that it will require total working capital in the amount of \$5,000,000 in order for it to achieve profitable operations, in addition to 900,000 options to purchase shares of our common stock. We intend to provide another \$5 million to Filco, either in the form of guaranteed credit lines or through additional sales our securities. Prior to the completion of the acquisition, we remain a creditor until we could guarantee sufficient funding sources and to provide an adequate line of credit for Filco's operations. In



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

addition to funding and the procuring a line of credit, the closing of the acquisition is contingent upon the completion of a final definitive agreement.

5

This amount includes funds required to be provided to Filco by the Company under the Filco agreement described above. The Company expects to raise additional funds from the sale of its securities in order to meet its loan obligations with Filco, as well as its own working capital needs as discussed in the Management's Discussion and Analysis section below. The Company cannot guarantee that it will be able to raise sufficient funds to meet the working capital needs of Filco, as well as its own working capital needs. The Company's inability to raise sufficient capital as discussed herein may impair Filco's operations as well as its own operations.

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.

### History of Filco GmbH and History of Our Relationship with Filco

-----

Clark Material Handling Co. was the largest forklift manufacturer in the world in the 1980's. Clark Material Handling Co. of Europe owned approximately 50% of the assets and completed an estimated 50% of the sales of Clark forklifts. Clark was bought by Terex in 1994 and sold for \$140 million in 1996. During that period it was managed by Fil Filipov, who was responsible for finding and completing acquisitions for Terex. Clark declared bankruptcy in 2003. Filco GmbH was formed by Fil Filipov in May of 2003 and Filco GmbH thereafter purchased the assets of Clark Europe. The "assets" of Clark Europe included intellectual property, inventory, machinery and equipment, existing cliental and a trained workforce. The transaction by Mr. Filipov to acquire the Clark assets was a purchase through the bankruptcy administrator which left all assets under his control and ownership. Mr. Filipov paid approximately 500,000 Euros and had to advance other fees to guarantee lease and other payments. This resulted in a total purchase by Mr. Filipov in the amount of approximately 1,300,000 Euros.

Since that time, Filco has operated with very limited operating capital, and has unresolved union issues. As a result, Filco has not operated profitably, or at all.

Our President, Peter Amico, has maintained a working relationship with Mr. Filipov since 2002.

### Business Purposes of the Proposed Acquisition of Filco GmbH

-----

In general, the Filco proposed acquisition 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

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

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 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.

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.

6

### MANUFACTURING AND SUPPLIERS.

The initial production run of the Company's lift truck is being assembled at Crane and Machinery, Inc., Bridgeview, Illinois. Crane and Machinery also has constructed the frames and overhead guards for this production run in accordance with Airtrax specifications. The parties operate under the terms of written purchase orders. Parts and assemblies for the first commercial models have being ordered and/or procured from other vendors. The initial production run will be completed upon receipt of wheels manufactured for Airtrax by The Timken Corporation and components from other suppliers. The initial run will refine the assembly line, help develop procedures, and incorporate inventory control and quality assurance. Management anticipates that the initial run of forklifts should be completed in the first half of 2004. The Company plans to create the framework for rapidly scalable production capacity at the Crane and Machinery facility, initially sized for nominal monthly production but capable of ramping up for anticipated demand before year's end. The Company also plans to manufacture the its omni-directional lift truck at the Filco GmbH facility for European and Middle Eastern sales.

Components for the Company's forklifts consist of over the counter products and proprietary products that have been specially designed and manufactured by various suppliers in collaboration with the Company. The Company believes that continual refinements of certain components will occur during the first six months of initial production in response to user feedback and additional product testing. The Company will strive to improve product functionality which may require additional refinements in the future. The need for additional refinements on a continuing basis may slow projected product sales.

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

The Company considers the specially designed and manufactured products proprietary, and has 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. In addition, while the Company maintains single sources for the over the counter components, it believes that other sources are available if necessary.

### DISTRIBUTION AND PRODUCT MARKETING.

The Company intends to establish a national and international dealer network to sell its fork-lift product line to existing equipment dealers. However, the Company 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 the past two years, in anticipation of commercial production, the Company solicited interest from targeted dealers nationwide, and in certain instances, received contracts from a number of these dealers. Due to the delay in the establishing commercial production, the contracts were not fulfilled. In 2004, the Company began soliciting dealers for distribution and during the first quarter of 2004 has reached an agreement with approximately 20 dealers nationwide. Principal terms of the agreement reached is that these dealers will purchase our products which include the ATX-3000, the Cobra AWP (scissor lift) and conventional lift trucks and thereafter sell these products to their clients. Certain of the dealers 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 is required to purchase a minimum of 250 units of the Airtrax Sidewinder or Cobra AWP or Filco trucks to maintain the "exclusivity" portion of the agreement between firms. They cannot lose their exclusivity because we cannot meet their sales requirements. This same type arrangement was reached with Lakeland in New Zealand for 125 vehicles each year, Airtrax Africa for 125 units each year, Omnilink in Greece and the Blakans for 125 units each year and others. The dealers in the US have not been given exclusive territorial rights. They are required to purchase one or more vehicles, however, to become a dealer. Credit is not authorized to any dealers or foreign representatives. All sales are paid in advance, under terms of an irrevocable letter of credit or COD. Not all dealers have agreed to represent the conventional lift trucks line as some are established with other lift truck manufacturers and representing a competing product could be a violation of their existing agreement(s). Targeted dealers will consist of selected premier forklift dealers, currently selling other forklift 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 forklifts and/or related material handling solutions. Several of the targeted dealers are significant sized entities, having annual sales in excess of \$100 million. The Company expects 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 forklift. The Company's pricing structure will enable the dealer to receive commissions from \$3,500 to \$4,000 per sale of the SIDEWINDER ATX-3000.

In the materials handling industry, distributors of products like ours finance their respective inventories in several different ways. The arrangement for distributor financing varies, depending upon the credit worthiness, financial capability and size of the distributor. Floor planning, which is arranged by the dealer or by the manufacturer, usually consists of financing from 6 to 12 months whereby the distributor pays interest only during the finance period. If at any time during the finance period the distributor sells the product, or if the

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

finance period expires, the distributor is required to pay the principal. Many dealers buy vehicles to lease or rent to consumers and finance the vehicle much the same manner as a standard consumer. Under certain arrangements, the dealer applies receipts against principal and interest.

In May 2003, the Company entered into contracts with two Alaskan Native Corporation (ANC) whose primary purpose is to manage assets and conduct business for the benefit of its nearly 3,000 Alaskan Native shareholders. The two corporations have been granted Section 8(a), small disadvantaged business status, under the Small Business Administration. Under their Section 8(a) status, the two corporations can provide sole source bid to provide services and products, such as those developed by the Company, for resale to the United States Government. During fiscal 2003, the Company did not effect any sales through this re-seller channel, and can not predict whether it will be able to do so in the future. A primary reason, for the non-sales is, of course, that we have not been in production.

In addition to establishing its own dealer network, the Company will attempt to capitalize on the existing distribution network of MEC if the Company is able to reach a formal agreement with MEC and successfully develop the omni-directional work platform discussed above. The Company would seek to include its omni-directional forklift into the distribution network of MEC, which consist of approximately 200 dealers nationwide. The Company can not predict whether a formal agreement will be entered into between the parties, or whether any sales will result form the aerial work platform to be developed by the parties.

The Company also intends to use trade shows and print and television media to advertise and promote its omni-directional products. Print media will include advertisements in national and international publications such as 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, the Company believes that television will provide an effective media for its product, due to its unique attributes. The Company believes that due to the current economic conditions, it will be able to capitalize on favorable advertising pricing. The Company also expects 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 very few 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 this rule, such as the frame and significantly, the motors and controllers. These parts have an eighteen-month guarantee or warranty, but the coverage begins when the product is shipped to us. As a result of this policy Danaher has increased the warranty from 12 to 18 months for us.

### FACILITIES.

The Company maintains its administrative offices at 870B Central Avenue, Hammonton, New Jersey 08361 on premises owned by the Company's President. As of December 31, 2003, the arrangement between the parties has been rent-free. In addition, the Company maintains limited offices at H&R Industries, Inc. ("H&R Industries"), located at 100 Park Avenue, Warminster, Pennsylvania 18974. H&R Industries provides contract manufacturing and assembly services to the Company, including, but not limited to, the rental of offices used for the engineering

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

and manufacturing of our prototype machines, rental space to test prototypes and for the storage of production-readied parts. Through December 31, 2002, the arrangement between the parties has been rent-free. Effective January 1, 2003, the Company has agreed to pay H&R Industries a rental fee of \$3,000 per month and has the option to pay in cash or in the form of common stock. The arrangement is on a month to month basis.

### MARKETS

#### Forklifts.

The Company's initial market focus will be directed to the forklift market. The Company believes the commercial version of the omni-directional forklift will revolutionize 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 3000-pound rated vehicle to \$75,000 or greater for specialty narrow

8

aisle or side loader vehicles. Of the total market, management expects to compete with mid-range electrical and gas powered riders, and some specialty narrow aisle or side loader vehicles.

#### Aerial Work Platforms.

Aerial Work Platforms are used in the construction and warehousing industries, and are ideally suited for 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, the Company expects to compete with a range of indoor man lifts.

### COMPETITION

The Company expects to confront competition from existing products, such as standard and "very narrow aisle" forklifts, and from competing technologies. Competition with standard forklifts, which retails from \$16,000 to \$31,000, will be on the basis of utility, price, and reliability. The Company believes that it will compete favorably with a standard forklift for reliability, and that a purchase decision will be based upon weighing the operational advantages of the Company's products against its higher purchase price. VNA and sideloader forklifts retail at \$75,000 or greater. While the Company's SIDEWINDER omni-directional lift truck cannot be considered "very narrow aisle", it can perform "narrow aisle" functions at a significantly less cost. The Company also is aware of multi-directional forklifts 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 forklifts to achieve improved functionality, which contrasts with the design and features of the Company's product as discussed previously herein. Therefore, to that extent, the Company

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

believes that it maintains a competitive advantage to these newer products.

The Company recognizes 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 the Company. In addition, the patent on omni-directional technology expired in 1990. Although the Company has received patent protection for certain aspects of its technology, no assurances can be given that such patent protection will effectively thwart competition.

### PATENTS AND PROPRIETARY RIGHTS.

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

The Company also seeks to protect its proprietary technology through exclusive supply contracts with manufacturers for specially designed and manufactured components.

### PRODUCT LIABILITY.

Due to nature of the Company's business, the Company may face claims for product liability resulting from the use or operation of the Company's forklifts or other products.

Presently, the Company does not maintain any product liability insurance. It intends to obtain such insurance commensurate with the initial shipment of its omni-directional forklifts.

### EMPLOYEES.

As of December 31, 2003, the Company has three full time employees which includes its President, three part time employees, and engages consultants from time to time. The Company has no collective bargaining agreements with its employees and believes its relations with its employees are good.

### Item 2. Description of Property.

The Company maintains its administrative offices at 870B Central Avenue, Hammonton, New Jersey 08361 on premises owned by the Company's President. As of December 31, 2002, the arrangement between the parties has been rent-free. In

addition, the Company maintains limited offices at H&R Industries, Inc. ("H&R Industries"), located at 100 Park Avenue, Warminster, Pennsylvania 18974. H&R Industries provides contract manufacturing and assembly services to the Company, including, but not limited to, the rental of offices used for the engineering and manufacturing of our prototype machines, rental space to test prototypes and for the storage of production-readied parts. As of December 31, 2002, the arrangement between the parties has been rent-free. Effective February 1, 2003,

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

the Company has agreed to pay H&R Industries a rental fee of \$3,000 per month and has the option to pay in cash or in the form of common stock. The arrangement is on a month-to-month basis.

### Item 3. Legal Proceedings.

During May 2002, the Company signed an agreement with a broker/dealer to provide investment banking and financial advisory services, which included fund raising on behalf of the Company. Under the agreement, the broker/dealer was entitled to receive stock warrants exercisable into 450,000 shares of common stock of the Company during a four-year term at an exercise price of approximately \$1.75 per share. A dispute has arisen between the parties regarding the agreement and its performance. The Company has asserted that the third party induced the Company to enter into the agreement through material misstatements and has not otherwise performed its services under the agreement. The Company believes that the third party is not entitled to the stated compensation, and has not issued the stock warrants to the third party.

In addition, the Company from time to time is subject to routine litigation incidental to its business from claims by various parties such vendors and suppliers. Management does not believe the resolution of these matters will have a material adverse impact upon the financial condition of the Company or results of operation.

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

On November 6, 2003, the Company mailed an Information Statement to its shareholders in connection with the adoption of a Certificate of Amendment to the Company's Certificate of Incorporation (the "Amendment") to increase of the Company's authorized common stock from 10,000,000 to 20,000,000 shares by the written consent of the holders of a majority in interest of the Company's voting capital stock consisting of the Company's outstanding Common Stock, no par value, and outstanding 5% Voting Preferred Stock, no par value. On October 15, 2003, the Company's Board of Directors, approved and recommended the corporate action, and on November 4, 2003, consent of a majority of shareholders approved the corporate action.

## PART II

### Item 5. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock has traded on the NASDAQ OTC Bulletin Board since March 6, 2000 under the symbol "AITX". Prior to such time, the Company's common stock traded on the National Quotation Bureau's "pink sheets".

The table below sets forth the high and low bid prices of the common stock of the Company as reported by NASDAQ. The quotations reflect inter-dealer prices, without retail mark-up, markdown, or commissions and may not necessarily represent actual transactions. There is an absence of an established trading market for the Company's common stock, as the market is limited, sporadic and highly volatile. The absence of an active market may have an effect upon the high and low priced as reported.

10

2001 ----	Low Bid -----	High Bid -----
1st Quarter	\$1.63	\$2.75
2nd Quarter	1.90	3.38
3rd Quarter	2.25	1.60

Edgar Filing: AIRTRAX INC - Form 10KSB/A

4th Quarter	0.65	1.90
2002	Low Bid	High Bid
-----	-----	-----
1st Quarter	\$0.75	\$3.00
2nd Quarter	0.75	2.00
3rd Quarter	0.90	2.25
4th Quarter	1.01	2.00
2003	Low Bid	High Bid
-----	-----	-----
1st Quarter	\$0.80	\$1.50
2nd Quarter	0.87	1.61
3rd Quarter	0.80	1.20
4th Quarter	0.65	1.01

As of March 15, 2004, there are 873 shareholders of record of the Company's common stock. Although there are no restrictions on the Company's ability to declare or pay dividends, the Company has not declared or paid any dividends since its inception' and does not anticipate paying dividends in the future.

Equity Compensation Plan Information.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
-----	-----	-----	-----
Equity compensation plans approved by security holders (1)	-0-	-0-	-0-
-----	-----	-----	-----
Equity compensation plans not approved by security holders (2)	Not Determinable(1)	Not Determinable(2)	-0-
-----	-----	-----	-----
Total	Not Determinable(1)	Not Determinable(2)	-0-
-----	-----	-----	-----

(1). Mr. Barney Harris maintains stock options for 25,000 shares of common stock of the Company which remains under his employment agreement as Executive Vice President. The agreement expires in 2004. In addition, two employees of the Company maintain annual stock options for 25,000 during the term of their respective employment agreements. The employment agreements may be terminated by either party with 14 days prior notice, and do not contain a fixed term. Accordingly, the amount of stock options issuable to such employees is not determinable. The Company and Mr. Peter Amico, the Company's President, entered into a one year employment agreement which expired June 30, 2003. Under the agreement, Mr. Amico was entitled to a stock option to acquire 50,000 shares of common stock of the Company for a total exercise price of \$0.01. The Company and Mr. Amico expect to enter into a new employment agreement which may include



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

stock options similar to those of his expired agreement retroactive to July 1, 2003 and for periods subsequent to fiscal 2003; however, the terms of the new employment agreement has not been finalized by the parties, and is subject to approval by the Board of Directors. (2). The stock options for shares of common stock of the Company identified in (1) above are exercisable as follows; 2,500 shares are exercisable for a total consideration of \$1.00, 10,000 shares are exercisable at 35% of the lowest price paid for the stock in the 30 day period preceding exercise, and 12,500 shares are exercisable at 17.5% of the lowest price paid for the stock in the 30 day period preceding exercise. The options had not been exercised as of December 31, 2003 and weighted average exercise price is not determinable.

11

### Recent Sales of Unregistered Securities.

On May 8, 2003, we issued an aggregate of 350,000 shares of common stock to third parties pursuant to certain sales agreements.

In April and November of 2003, we issued an aggregate of 57,139 shares of common stock to a certain financial consultant as compensation for services performed on our behalf.

In April and June of 2003, we issued an aggregate of 60,000 shares of common stock to 6 of our directors as compensation for services performed on our behalf in each of their capacities as directors of our company.

On January 20, 2003, we issued options to purchase an aggregate of 180,000 shares of common stock to our President, Peter Amico, as compensation for services performed on our behalf under Mr. Amico's Original Employment Agreement. Of the options, 1/5 of the options were exercisable for a total consideration of a \$1.00, 1/2 of the options were exercisable at 30% of the lowest price paid for the stock in the 30 day period preceding exercise for each year of the contract, and the remaining options were exercisable at 15% of the lowest price paid for the stock in the 30 day period preceding exercise.

From October 2002 through April 2005, we issued an aggregate of 127,500 shares of common stock to two of our employees as compensation for services performed on our behalf, and as employee incentive bonuses.

In August 2002, we issued an aggregate of 25,000 shares of common stock to one of our directors, and options to purchase 5,000 shares of common stock to our Secretary, each as compensation for services performed on our behalf in their respective capacities.

On July 23, 2002, we issued an aggregate of 160,000 shares of common stock to a certain investor relations consulting firm as compensation for services performed on our behalf.

In April 2002, we issued an aggregate of 1,930 shares of common stock to a certain engineering firm as compensation for electrical engineering services performed on our behalf.

From January 2002 through April 2005, we issued an aggregate of 60,200 shares of our common stock to Harry Schmidt Associates, PA as rental payments for our equipment under certain leases which we entered into with said firm.

\* All of the above offerings and sales were deemed to be exempt under rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of Airtrax or executive officers of

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

Airtrax, and transfer was restricted by Airtrax in accordance with the requirements of the Securities Act of 1933. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discusses the financial results of the Company for the periods indicated.

### Results of Operations

Fiscal year end 2003 compared with fiscal year end 2002.

The Company has been a development stage company for the 2003 and 2002 periods and has not engaged in full-scale operations for the periods indicated. The limited revenues for the periods have been derived from the sales of a non-omni-directional product and from contracts with the United States Navy that relate to the research and potential application of omni-directional technology for military use. The available dollar limits of contracts with the United

States Navy were substantially completed during 2002, and the Company recognized limited revenues from the United States Navy contract during 2003. During 2004, the Company expects to transition from a development stage company to an operating company as it completes the initial run of its forklifts. Consequently, management believes that the year-to-year comparisons described below are not indicative of future year-to-year comparative results.

Revenues for fiscal 2003 were \$21,879 representing a decrease of \$529,243 from revenues of \$551,122 for the 2002 period. Revenues for the 2003 period were attributable to the US Navy contract. The revenue mix for 2002 consisted of; \$5,686 in sales of a non omni-directional parts, \$490,658 in contract revenues from the United States Navy, and \$54,778 in sub-contract revenue.

12

Cost of sales for 2003 was \$91,283 which reflects a \$116,382 decrease from \$207,665 in fiscal 2002. Cost of sales for 2003 consisted of entirely of salaries and material incurred in connection with the performance of the US Navy contract, while amounts for the 2002 period consisted of principally of salaries and material incurred in connection with the performance of the US Navy contract and sub-contract work, and to a lesser extent cost of equipment for non-omni-directional sales.

Operating and administrative expenses which includes administrative salaries, depreciation and overhead for the 2003 period totaled \$2,108,370 which represents an increase of \$935,618 from \$1,172,752 incurred in 2002. The increase is due primarily to consulting fees paid to higher consulting fees to various third parties in the form of common stock which totaled \$1,332,989 in 2003, versus \$572,245 in 2002 and costs related to the development of its omni-directional technology. Interest expense payable to third party suppliers totaled \$43,938 for the 2003 period, representing a slight increase from \$33,174 for the 2002 period. In 2003, the Company reported \$7,914 of other income from interest payments from Filco GmbH, which contrasts with \$4,215 for the prior period. Net loss before taxes in 2003 was \$2,213,798 which reflects on increase of \$1,355,544 from \$858,254 in net loss before taxes for the 2002 period.

In 2003, the Company recorded \$210,553 as the expected sale of its net operating

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

losses and tax credits under a New Jersey program described further in Liquidity and Capital Resources below. This amount contrasts with \$59,292 recorded during 2002.

Loss attributable to shareholders for 2003 was \$2,191,657 which represents an increase of \$1,392,695 from \$798,962 during the 2002 period. During 2003, the Company paid dividends on its preferred stock to a controlling shareholder of the Company in the amount of \$80,749. No such dividends were paid in 2002. Deficit accumulated during development stage during 2003 was \$2,272,406 (or a loss per share of \$0.29 for common stockholders) which represents an increase of \$1,473,444 from \$798,962 (or a loss per share of \$0.15 for common stockholders) for the 2002 period.

### Liquidity and Capital Resources

Since its inception, the Company has financed its operations through the private placement of its common stock and from loans from the Company's President. During 2003 and 2002, the Company raised net of offering costs \$789,000 and \$396,630 from the private placement of its securities.

During 2000, the Company was approved by the State of New Jersey for its technology tax transfer program pursuant to which the Company could sell its net operating losses and research and development credits as calculated under state law. During 2003 and 2002, the Company recorded credits of \$210,553 and \$59,292, respectively from the sale of its losses and credits (see Note 6 to financial statements).

We have experienced negative cash flows from operations of \$705,790 during 2003 and \$404,742 during 2002. These negative results stem primarily from operating losses of \$2,191,657 in 2003 and \$798,962 during 2002. These results are not unusual for a company in the development stage; it is noteworthy that significant portions of the losses result from non cash charges, primarily from equity securities issued for services.

We have consistently demonstrated our ability to meet our cash requirements through private placements of its common stock. We have continued to similarly satisfy those requirements during the year ended December 31, 2004.

The Company anticipates that its cash requirements for the foreseeable future will be significant. In particular, management expects substantial expenditures for inventory, product production, and advertising in anticipation of the rollout of its omni-directional forklift. On January 13, 2004, the Company entered into a placement agency agreement with a NASD registered broker-dealer for the private placement offering of the Company securities. The Company's securities consist of units comprised of one share of common stock and a stock warrant to purchase 50% of an additional share of common stock at a unit offering price of \$0.80. The warrant is exercisable at \$1.25 per share during a five-year term. The offering is being made on a best efforts basis, for a total minimum amount of \$1,000,000 and a total maximum amount of \$4,000,000, terminating April 26, 2004. During the first quarter of 2004, the Company received \$1,213,874 net of offering costs and expenses from the offering. The offering is made pursuant to exemptions under the Securities Act of 1933, as amended. The Company expects to complete its initial production run of its SIDEWINDER Lift Truck in the second quarter of 2004. The Company expects to receive sufficient funds from the offering to complete the initial production run and to complete ANSI and UL testing, as well as special tooling costs.

The Company will require additional funds to continue its operations beyond the initial production run. These funds are in addition to the funds required by Filco GmbH as discussed above. (See "Item 1- Description of Business - Current Operations - Transactions with Filco GmbH") The Company's cash requirements for the next 12 months are projected to be \$2,500,000. Of the total amount,

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

approximately 75-90% are projected for parts and component inventory and manufacturing costs, with the balance projected as general operating

13

expenditures, which includes overhead and salaries. The Company expects to recognize lower per unit manufacturing and part costs in the future due to volume discounts, as well as lower per unit shipping costs as it transitions from the initial production run to full-scale production. The Company intends to fund these additional cash requirements through the issuance of equity and/or debt securities which may include the offering described above. The Company cannot predict whether the Company will be successful in obtaining sufficient capital to fund its continuing operations. If the Company is unable to obtain sufficient funds in the near future, such event will delay the rollout of its product and likely will have a material adverse impact on the Company and its business prospects.

As of December 31, 2003, the Company's working capital deficit was \$77,359. Fixed assets, net of accumulated depreciation, and total assets, as of December 31, 2003, were \$138,198 and \$1,072,253, respectively. Current liabilities and long term liabilities, as of December 31, 2003, were \$968,296 and \$3,974, respectively.

Disclosure Regarding Forward Looking Statements and Cautionary Statements.

Forward Looking Statements. Certain of the statements contained in this Annual Report on Form 10-KSB includes "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). All statements other than statements of historical facts included in this Form 10-KSB regarding the Company's financial position, business strategy, and plans and objectives of management for future operations and capital expenditures, and other matters, are forward looking statements. These forward-looking statements are based upon management's expectations of future events. Although the Company believes the expectations reflected in such forward looking statements are reasonable, there can be no assurances that such expectations will prove to be correct. Additional statements concerning important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") are disclosed below in the Cautionary Statements section and elsewhere in this Form 10-KSB. All written and oral forward looking statements attributable to the Company or persons acting on behalf of the Company subsequent to the date of this Form 10-KSB are expressly qualified in their entirety by the Cautionary Statements.

Cautionary Statements. Certain risks and uncertainties are inherent in the Company's business. In addition to other information contained in this Form 10-KSB, the following Cautionary Statements should be considered when evaluating the forward-looking statements contained in this Form 10-KSB:

**NEED FOR ADDITIONAL CAPITAL FOR INTERNAL OPERATIONS.** The Company will require additional capital immediately and long term to meet its ongoing operating requirements. In the future, in order to initiate full-scale production, the Company will require significant funds for inventory, manufacturing costs and for other working capital needs. The Company intends to raise the capital through a private or public financing of debt or equity. Presently, the Company has no commitment for any such funding. The Company cannot predict whether it will be successful in obtaining such financing on terms acceptable to the Company or on any terms. The inability to obtain such financing will have a material adverse affect on the Company.

**NEED OF ADDITIONAL CAPITAL FOR FILCO'S OPERATIONS.** In addition to its own need of working capital, the Company also will need working capital to funds the operations of Filco GmbH. Filco has informed the Company that its working

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

capital needs are approximately \$5,000,000 until it can achieve profitable operations, which includes approximately \$1,300,000 required under the Filco agreement. During the first quarter of 2004, the Company has loaned \$300,000 to Filco. If the Company is unable to complete the terms of the Filco agreement and loan Filco the remaining amounts due thereunder, Filco may be unable to continue its operations and the repayment of amounts loaned to Filco by the Company may be jeopardized.

**LACK OF COMMERCIAL PRODUCT.** The Company has developed pilot versions of its unique, omni-directional forklift. The commercial introduction of the product is subject, however, to additional testing and component refinement. Due to the unique performance attributes of the forklift, the forklift will undergo a series of unprecedented tests relating to these attributes. Although management has performed substantially all of these tests or is otherwise confident of the performance capabilities of the forklift, final testing has not been completed. In addition, the Company's product must be sufficiently durable to withstand the day-to-day rigors of its anticipated work environment. As stated above, although the Company has conducted numerous tests, the product has not been subjected to the normal day-to-day usage typically required of forklifts. Therefore, it is conceivable that final testing, or durability issues after prolonged use, could result in component refinement or redesign, which could delay the commercial introduction or continued sale of the forklift.

**LACK OF A DETERMINED PRODUCT PRICES AND IMPACT ON PROFIT MARGINS.** The Company is assessing present and projected component pricing in order to establish a pricing policy for the SIDEWINDER Lift Truck. The Company has not finalized its assessment as current prices for certain forklift components reflect special development charges which are expected to be reduced as order volume for such components increase and as manufacturing efficiencies improve. The Company

14

intends to price its forklifts so as to maximize sales yet provide sufficient operating margins. Given the uniqueness of its product, the Company has not yet established final pricing sensitivity in the market. Consequently, the pricing policy for its forklifts may be subject to change, and actual sales or operating margins may be less than projected.

**LIMITED OPERATING HISTORY.** The Company is a development stage company, and, together with its predecessor, has been in operation since 1995. However, since 1995, the Company's operations have been limited to the development of its omni-directional products, and limited revenue has been generated during this period. Consequently, its business may be subject to the many risks and pitfalls commonly experienced by development stage companies.

**LACK OF INDICATIONS OF PRODUCT ACCEPTABILITY.** The success of the Company will be dependent upon its ability to sell omni-directional products in quantities sufficient to yield profitable results. To date, the Company has received limited indications of the commercial acceptability of its omni-directional forklift. Accordingly, the Company can not predict whether its omni-directional products can be marketed and sold in a commercial manner.

**PROTECTION OF INTELLECTUAL PROPERTY.** The success of the Company will be dependent, in part, upon the protection of its proprietary omni-directional technology from competitive use. The patent for the omni-directional wheel expired in 1990. The Company, however, has received patent protection of certain other aspects of its omni-directional wheel, and for features specific to its forklift. In addition to the patent applications, the Company relies on a combination of trade secrets, nondisclosure agreements and other contractual provisions to protect its intellectual property rights. Nevertheless, these measures may be inadequate to safeguard the Company's underlying technology. If

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

these measures do not protect the intellectual property rights, third parties could use the Company's technology, and its ability to compete in the market would be reduced significantly. In addition, if the sale of the Company's product extends to foreign countries, the Company may not be able to effectively protect its intellectual property rights in such foreign countries.

In the future, the Company may be required to protect or enforce its patents and patent rights through patent litigation against third parties, such as infringement suits or interference proceedings. These lawsuits could be expensive, take significant time, and could divert management's attention from other business concerns. These actions could put the Company's patents at risk of being invalidated or interpreted narrowly, and any patent applications at risk of not issuing. In defense of any such action, these third parties may assert claims against the Company. The Company cannot provide any assurance that it will have sufficient funds to vigorously prosecute any patent litigation, that it will prevail in any of these suits, or that the damages or other remedies awarded, if any, will be commercially valuable. During the course of these suits, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. If securities analysts or investors perceive any of these results to be negative, it could cause the price of the Company's common stock to decline.

**LACK OF ESTABLISHED DISTRIBUTION CHANNELS.** The Company does not have an established channel of distribution for its forklift product line. The Company has initiated its efforts to establish a network of designated dealers throughout the United States. Although the Company has received indications of interest from a number of equipment distributors, to date, such indications have been limited. The Company can not predict whether it will be successful in establishing its intended dealer network.

**FEATURES OF PREFERRED STOCK.** The Company has 275,000 shares of preferred stock outstanding that are held by an affiliate of the President. The stock carries a 10 for 1 voting right and a stated value of \$5.00 per share. The preferred stock carries a liquidation preference equal to the stated value and an annual, cumulative dividend of five percent, in preference to the common shareholders.

In addition, the holder may elect to receive the dividend in the form of common stock at a deep discount to the market price (see Item 12 Certain Relationships and Related Transactions). In addition, 225,000 shares of preferred stock remain

authorized and unissued, however, they are subject to rights, privileges and preferences determined by the Board of Directors. These shares of preferred stock, if and when issued, could create dilution to existing shareholders, or impose financial requirements on the Company.

**MANAGEMENT.** The ability of the Company to successfully conduct its business affairs will be dependent upon the capabilities and business acumen of current management including Peter Amico, the Company's President. Accordingly, shareholders must be willing to entrust all aspects of the business affairs of the Company to its current management. Further, the loss of any one of the Company's management team could have a material adverse impact on its continued operation.

**CONTROL EXERCISED BY MANAGEMENT.** As of March 15, 2004, the existing officers and directors will control approximately 47.1% of the shareholder votes. This control by management is in the form of common stock and preferred stock that has 10 for 1 voting rights. Consequently, management will control the vote on all matters brought before shareholders, and holders of common stock may have no power in corporate decisions usually brought before shareholders.

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

NATURE OF BUSINESS/INSURANCE. The manufacture, sale and use of omni-directional forklifts and other mobility or material handling equipment is generally considered to be an industry of a high risk with a high incidence of serious personal injury or property loss. In addition, although the Company intends to provide on-site safety demonstrations, the unique, sideways movement of the forklift may heighten potential safety risks. Despite the fact that the Company intends to maintain sufficient liability insurance for the manufacture and use of its products, one or more incidents of personal injury or property loss resulting from the operation of its products could have a material adverse impact on the business of the Company.

COMPETITION. Although management believes its product will have significant competitive advantages to conventional forklifts, the Company will be competing in an industry populated by some of the foremost equipment and vehicle manufacturers in the world. All of these companies have greater financial, engineering and other resources than the Company. No assurances can be given that any advances or developments made by such companies will not supersede the competitive advantages of the Company's omni-directional forklift. In addition, many of the Company's competitors have long-standing arrangements with equipment distributors and carry one or more of competitive products in addition to forklifts. These distributors are prospective dealers for the Company. It therefore is conceivable that some distributors may be loath to enter into any relationships with the Company for fear of jeopardizing existing relationships with one or more competitors.

PENNY STOCK REGULATION. The Company's common stock may be deemed a "penny stock" under federal securities laws. The Securities and Exchange Commission has adopted regulations that define a "penny stock" generally to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These regulations impose additional sales practice requirements on any broker/dealer who sell such securities to other than established investors and accredited investors. For transactions covered by this rule, the broker/dealer must make certain suitability determinations and must receive the purchaser's written consent prior to purchase. Additionally, any transaction may require the delivery prior to sale of a disclosure schedule prescribed by the Commission. Disclosure also is required to be made of commissions payable to the broker/dealer and the registered representative, as well as current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account of the customers and information on the limited market in penny stocks. These requirements generally are considered restrictive to the purchase of such stocks, and may limit the market liquidity for such securities.

Item 7. Financial Statements.

The Financial Statements that constitute Item 7 of this Annual Report on Form 10-KSB follow Item 14 below.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 8A . 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

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

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.

Item 8B. Other Information.

None.

### PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons.

The directors and executive officers of the Company, their ages, and the positions they hold are set forth below. The directors of the Company hold office until the next annual meeting of stockholders of the Company and until their successors in office are elected and qualified. All officers serve at the discretion of the Board of Directors. ] OFFICERS AND DIRECTORS

16

Name	Age	Title
----	---	-----
Peter Amico	60	President and Chairman
D. Barney Harris	43	Executive Vice President and Director
John Watt Jr.	69	Former Secretary and Former Director
James Hudson	61	Director
William Hungerville	68	Director

Peter Amico - Mr. Amico is the founder of the Company and has been President and Chairman of the Company and its predecessor since their inception in April 1995. Prior to 1995, Mr. Amico was president and majority shareholder of Titan Aviation and Helicopter Services, Inc. ("Titan"). He has an extensive background in sales and in structural design. His career in sales has spanned over thirty years and he has held sales positions at Firestone Tire & Rubber and Union Steel Products, Inc. As a consequence of separate helicopter and airplane accidents involving Titan, Mr. Amico filed for bankruptcy protection in 1996.

D. Barney Harris\* - Mr. Harris has been a Director of the Company since December 1998 and a Vice President since July 1999. From 1997 to July 1999, Mr. Harris was employed by UTD, Inc. Manassas, Virginia. Prior to 1997, Mr. Harris was employed by EG&G WASC, Inc., Gaithersburg, Maryland, as a Senior Engineer and Manager of the Ocean Systems Department where he was responsible for the activities of 45 scientists, engineers and technicians. During this period while performing contract services for the US Navy, he was principally responsible for the design of the omni-directional wheel presently used by the Company. Mr. Harris received his B.S.M.E. from the United States Merchants Marine Academy in 1982.

John Watt Jr. - Mr. Watt has been Secretary and a Director of the Company from August 1998 until December 11, 2003 when he resigned in both capacities. Since March 2001, Mr. Watt has retired from full time employment and has performed limited consulting services to the Company. From 1990 to the March 2001, he was the President of Watt-Bollard Associates, Inc., a manufacturers' representative sales agency located in Fort Washington, Pennsylvania.



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

James Hudson - Mr. Hudson has been a Director of the Company since May 1998.

From 1980 to present, he has been President of Grammer, Dempsey & Hudson, Inc., a steel distributor located in Newark, New Jersey.

William Hungerville - Mr. Hungerville has been a director since February 2002. Since 1998, Mr. Hungerville has been retired from full time employment. From 1974 to 1998, he was the sole owner of a pension administrative service firm. Mr. Hungerville is a graduate of Boston College, and attended an MBA program at Harvard University for 2 years.

\*Our engineers including the team initially lead by D. Barney Harris, Nicholas Fenelli and Robert Mallowney designed and tested the "Airtrax" wheel which corrected the "bumpy" ride in the technology as received from the US Navy at speeds of 11 m.p.h. or more and alleviated it to the point wherein it was considered acceptable in the materials handling industry. This design and methods to achieve the design were patented by us as follows: (i) 6,340,065 - low vibration omni-directional wheel on January 22, 2002, (ii) 6,394,203 - method for designing low-vibration omni-directional wheels on May 28, 2002, and (iii) 6,547,340 - low vibration omni-directional wheel on April 15, 2003.

### Item 10. Executive Compensation.

The compensation for all directors and officers individually for services rendered to the Company for the fiscal years ended December 31, 2003, 2002 and 2001 are set forth in the following table:

#### SUMMARY COMPENSATION

Name and Principal Position	Year	Long Term Annual Compensation			Compensation Awards (5)
		Salary (\$)	Bonus (\$)	Other (\$)	Securities underlying Options #
Peter Amico Chairman and President	2003	\$ 88,462 (1)	-0-	\$64,000 (2)	-0-
	2002	\$ 84,135 (1)	-0-	\$52,399 (2)	-0-
	2001	\$ 75,000	-0-	\$51,399	-0-

(1). During 2003, Mr. Amico was entitled to receive a salary of \$100,000, however \$88,461.68 was paid and the balance was deferred for future payment. In 2002, \$84,135 was paid as salary to Mr. Amico and \$3,365 balance deferred for future payment. In 2002 and 2003, Mr. Amico received an automobile usage valued at \$1,000.

17

(2) Pursuant to his employment agreements, Mr. Amico had outstanding options to acquire a total of 180,000 shares of common stock of the Company. Of these options, 20,000 shares are exercisable at a total price of \$2.00, 50,000 shares are exercisable at \$0.315 per share, 60,000 shares are exercisable at a price of \$0.1575 per share, and 50,000 shares were exercised at a total price of \$0.01. On February 12, 2003, Mr. Amico exercised all of his options in exchange for the payment of \$25,202. The fair market value of the underlying common stock is \$1.26, the closing price of \$1.26 on the exercise date of February 12, 2003. The amount for 2003 represents the number of options (50,000) multiplied by the fair

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

market (\$1.26) less his exercise costs of \$0.01. The amount for 2002 represents the number of options (50,000) multiplied by the fair market (\$1.26) less his exercise costs of \$12,601. The amount for 2001 represents the number of options (50,000) multiplied by the fair market (\$1.26) less his exercise costs of \$12,601. In addition, for 2002 and 2003, the amounts include \$1,000 for the value of an automobile usage.

The Company and Mr. Amico were parties to an employment agreements governing Mr. Amico's employment with the Company for a one year period terminating June 30, 2003, under which Mr. Amico received annual stock options not to exceed 50,000 shares of common stock of the Company (see "Employment Agreements" below). The Company and Mr. Amico expect to enter into a new employment agreement which may include stock options similar to those of his expired agreement retroactive to July 1, 2003 and for periods subsequent to fiscal 2003; however, the terms of the new employment agreement has not been finalized by the parties, and will be subject to approval by the Board of Directors.

### Employment Agreements.

The Company and Peter Amico have entered into written employment agreements for Mr. Amico's role as President of the Company. The parties entered into an agreement covering the period from April 1997 to June 30, 2002 ("Original Employment Agreement"). Effective July 1, 2002, the parties entered into a second employment agreement for a one year term ("Second Employment Agreement").

Under the Original Employment Agreement, Mr. Amico received an annual salary of \$75,000 per year, and received stock options to acquire up to 50,000 shares per annum. Of the options, 10,000 shares were exercisable for a total consideration of a \$1.00 beginning year three of the contract, 25,000 shares were exercisable at 30% of the lowest price paid for the stock in the 30 day period preceding exercise for each year of the contract, and 15,000 shares were exercisable at 15% of the lowest price paid for the stock in the 30 day period preceding exercise beginning year three of the contract.

Under the Second Employment Agreement, Mr. Amico was entitled to receive an annual salary of \$100,000, and receives an option to acquire 50,000 shares of common stock of the Company for a total exercise price of \$0.01. The Company may terminate the agreement without cause upon 14 days' written notice to the Employee. The Second Employment Agreement terminated on June 30, 2003, and the parties have not entered into a subsequent agreement, however, Mr. Amico continues to receive an annual salary of \$100,000. The Company and Mr. Amico expect to enter into a new employment agreement which may include stock options similar to those of the Second Employment Agreement retroactive to July 1, 2003 and for periods subsequent to fiscal 2003; however, the terms of the new employment agreement has not been finalized by the parties, and will be subject to approval by the Board of Directors.

The Company and D. Barney Harris, as Vice President, have entered into a written employment agreement for a period of five years from June 14, 1999. Under the agreement, Mr. Harris receives an annual salary of \$75,000, subject to annual review by the Company. In addition, Mr. Harris receives annual stock options not to exceed 25,000 shares of common stock, of which 2,500 shares are exercisable for a total consideration of \$1.00, 10,000 shares are exercisable at 35% of the lowest price paid for the stock in the 30 day period preceding exercise, and 12,500 shares are exercisable at 17.5% of the lowest price paid for the stock in the 30 day period preceding exercise. The parties have entered into discussions to terminate the remainder of the term of the agreement; however, the specific terms of such termination have not been finalized.

In August 2002, John Watt received 25,000 shares of common stock as compensation for services rendered as Secretary to the Company for fiscal years 1999 and 2000.

Edgar Filing: AIRTRAX INC - Form 10KSB/A

18

Option Grants in Fiscal Year 2003

Name	Options Granted	% of Total Options to Employees in Fiscal Year	Exercise or Base Price (\$/sh)	Market Price On Date of Grant	Expiration Date
Peter Amico President And Chairman	50,000	40%	(1)	\$2.20(1)	None(1)

(1). Pursuant to the New Employment Agreement, Mr. Amico received options for 50,000 shares of common stock per annum exercisable for a total consideration of a \$0.01. The date of grant is deemed to be July 1, 2002, the effective date of the New Employment Agreement. The market price on the date of grant reflects the closing price of the common stock of the Company on such date. The options do not carry an expiration date.

Aggregate Option Exercises  
In Last Fiscal Year and FY-End Option Values

Name	Shares Acquired On Exercise (#)	Value Realized	# of Securities Unexercised Options/SARs at FY-End(%) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at FY-End(\$%) at Exercisable/Unexercisable(1)
Peter Amico President and Chairman	180,000	\$201,598	-0-	-0-

(1). Pursuant to his employment agreements, Mr. Amico had outstanding options to acquire a total of 180,000 shares of common stock of the Company. Of these options, 20,000 shares are exercisable at a total price of \$2.00, 50,000 shares are exercisable at \$0.315 per share, 60,000 shares are exercisable at a price of \$0.1575 per share, and 50,000 shares were exercised at a total price of \$0.01. On February 12, 2003, Mr. Amico exercised all of his options in exchange for the payment of \$25,202. The fair market value of the underlying common stock is \$1.26, the closing price of \$1.26 on the exercise date of February 12, 2003.

Compensation of Directors.

The Company's directors are compensated at the rate of \$250 per meeting and are reimbursed for expenses incurred by them in connection with the Company's business. During 2002 and 2001, each director, other than Mr. Amico, received an annual stock option to purchase 5,000 shares of common stock exercisable at \$0.50 per share. During 2003, each director received a stock grant of 10,000 shares of the Company's common stock. The Company has not implemented a stock grant or stock option plan for its board of directors for 2004, however it expects to do so, the terms of which have not been established.

Other than as described above, the Company does not have any other form of compensation payable to its officers or directors, including any stock option plans, stock appreciation rights, or long term incentive plan awards for the periods indicated in the table.

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

### Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table identifies as of March 15, 2004 information regarding the current directors and executive officers of the Company and those persons or entities who beneficially own more than 5% of its common stock and Preferred Stock of the Company:

19

Name(1) -----	Common Stock Beneficially Owned(2) Rights(3) -----	Preferred Voting Stock Owned(2) Owned(3) -----	Percentage of Common Stock Beneficially -----	Percentage of Preferred Stock Beneficially -----
Arcon Corp.	1,734,210(4)	2,750,000(5)	19.5%	100%
Peter Amico President and Chairman	2,014,210(6)	2,750,000(5)	22.7%	100%
D. Barney Harris Vice President and Director	191,301(7)	-0-	2.2	-0-
John Watt Jr. Secretary and Director	151,200(8)	-0-	1.7%	-0-
Frank Basile Director	137,046(9)	-0-	1.5%	-0-
James Hudson	75,800(10)	-0-		