

Edgar Filing: AIRTRAX INC - Form 10QSB

(Former address and former telephone number, if changed from last report)

Securities registered under Section 12 (b) of the Act:

Title of each class to be registered	Name of exchange on which each class is to be registered
None	None

Securities registered under Section 12(g) of the Act:

Common Stock
(Title of Class)

Check whether issuer (1) filed all reports to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1). Yes: No:

(2). Yes: No:

The number of shares issued and outstanding of issuer's common stock, no par value, as of September 30, 2002 was 6,117,960.

Transitional Small Business Issuer Format (Check One):

Yes: No:

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AIRTRAX, INC.

(A Development Stage Company)

BALANCE SHEETS

September 30, 2002

December 31, 2001

(Unaudited)

(Audited)

—

ASSETS

Current Assets

Cash

\$ 51,344

\$ 32,420

Accounts receivable

61,489

20,835

Inventory

291,709

233,250

Prepaid expenses

219,021

6,938

Deferred tax asset

110,776

69,786

Total current assets

734,339

363,229

Fixed Assets

Office furniture and equipment

45,051

44,671

Automotive equipment

33,503

16,915

Shop equipment

22,155

20,660

Casts and tooling

97,554

89,804

198,263

172,050

Less, accumulated depreciation

126,718

108,454

Net fixed assets

71,545

63,596

Other Assets

Patents net

39,332

42,656

Utility deposits

65

65

Total other assets

39,397

42,721

TOTAL ASSETS

\$ 845,281

\$ 469,546

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities

Accounts payable

\$ 385,153

\$ 515,725

Accrued liabilities

84,526

68,662

Stockholder note payable

92,736

26,111

Total current liabilities

562,415

610,498

Stockholders Equity

Common stock authorized, 10,000,000 shares without
par value; issued and outstanding 6,117,960 and
5,431,237 respectively

3,571,369

2,852,895

Preferred stock authorized, 500,000 shares without
par value; 275,000 issued and outstanding

12,950

12,950

Deficit accumulated during the development stage

(3,094,501)

(2,799,845)

Deficit prior to development stage

(206,952)

(206,952)

Total stockholders equity

282,866

(140,952)

TOTAL LIABILITIES AND

STOCKHOLDER S EQUITY

\$ 845,281

\$ 469,546

See accompanying notes and accountant s report.

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AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS and DEFICIT

ACCUMULATED DURING DEVELOPMENT STAGE

For the Three Month Period Ended September 30, 2002 and 2001

(Unaudited)

May 19, 1997

(Date of Inception)

2002

2001

to September 30, 2002

SALES

\$ 167,119

\$ 41,479

\$ 861,807

COST OF GOODS SOLD

46,889

5,030

322,726

Gross Profit

120,230

36,448

539,081

OPERATING AND ADMINISTRATIVE EXPENSES

243,110

134,217

3,666,209

OPERATING LOSS

(122,880)

(97,768)

(3,127,128)

OTHER INCOME AND (EXPENSE)

Interest expense

(8,440)

(6,841)

(89,403)

Other income

-

50,000

63,186

NET LOSS BEFORE INCOME TAXES

(131,320)

(54,609)

(3,153,345)

INCOME TAX BENEFIT (STATE):

Current

12,813

4,916

105,891

Prior years

-

-

183,573

Total Benefit

12,813

4,916

289,464

LOSS ACCUMULATED DURING

DEVELOPMENT STAGE

\$(118,507) \$(49,693)

(2,863,881)

PREFERRED STOCK DIVIDENDS DURING

DEVELOPMENT STAGE

_(230,620)

DEFICIT ACCUMULATED DURING DEVELOPMENT

STAGE

\$(3,094,501)

NET LOSS PER SHARE Basic and Diluted

\$(.02)

\$(.01)

Average number of shares outstanding

5,792,403

5,348,849

See accompanying notes and accountant's report.

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AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS and DEFICIT

ACCUMULATED DURING DEVELOPMENT STAGE

For the Nine Month Period Ended September 30, 2002 and 2001

(Unaudited)

May 19, 1997

(Date of Inception)

<u>2002</u>	<u>2001</u>
	<u>to September 30, 2002</u>

SALES

\$ 411,685

\$ 129,909

\$ 861,807

COST OF GOODS SOLD

151,303

6,253

322,726

Gross Profit

260,382

123,656

539,081

OPERATING AND ADMINISTRATIVE EXPENSES

573,683

573,149

3,666,209

OPERATING LOSS

(313,301)

(449,493)

(3,127,128)

OTHER INCOME AND (EXPENSE)

Interest expense

(22,345)

(22,995)

(89,403)

Other income

-

50,925

63,186

NET LOSS BEFORE INCOME TAXES

(335,646)

(421,563)

(3,153,345)

INCOME TAX BENEFIT (STATE):

Current

40,990

37,942

105,891

Prior years

-

-

183,573

Total Benefit

40,990

37,942

289,464

LOSS ACCUMULATED DURING

DEVELOPMENT STAGE

\$(294,656)

\$(383,621)

(2,863,881)

PREFERRED STOCK DIVIDENDS DURING

DEVELOPMENT STAGE

(230,620)

DEFICIT ACCUMULATED DURING DEVELOPMENT

STAGE

\$(3,094,501)

NET LOSS PER SHARE Basic and Diluted

\$(.05)

\$(.08)

Average number of shares outstanding

5,626,903

5,274,913

See accompanying notes and accountant's report.

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AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the Nine Month Periods ended September 30, 2002 and 2001

(Unaudited)

May 19, 1997

(Date of Inception)

2002

2001 to September 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss

\$(294,656)

\$(383,621)

\$(2,863,881)

Adjustments to reconcile net income to net cash

consumed by operating activities:

Depreciation and amortization

21,588

24,885

154,993

Value of common stock issued for services

162,890

18,767

339,438

Accrual of deferred tax benefit

(40,990)

(37,942)

(110,776)

Changes in current assets and liabilities:

(Decrease) Increase in accounts payable, and

accrued liabilities

(114,708)

(8,854) 543,876

(Increase) in prepaid expense

-

-

(7,003)

(Increase) Decrease in accounts receivable (40,654)

16,787

(61,489)

(Increase) Decrease in inventory

(58,459) 24,455

(291,709)

Net Cash Consumed By

Operating Activities

(364,989)

(345,523)

(2,296,551)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of equipment

(26,213)

(24,306)

(198,263)

Additions to patent cost

-

- (67,607)

Net Cash Consumed By

Investing Activities

(26,213)

(24,306)

(265,870)

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds of common stock sales

343,501

347,301

2,635,779

Proceeds of sales of preferred stock

-

-

12,950

Proceeds of stockholder loans

66,625 2,100

18,539

Preferred stock dividends paid in cash

-

-

(53,503)

Net Cash Provided By

Financing Activities

410,126 349,401

2,613,765

Net Increase (Decrease) In Cash

18,924

(20,428)

51,344

Balance at beginning of period

32,420

23,663

-

-

Balance at end of period

\$ 51,344

\$ 3,235

\$ 51,344

Supplemental Disclosure of Cash Flows Information:

Cash paid for interest was \$20,245 and \$6,141, respectively, during the 2002 and 2001 periods. There was no cash paid for income taxes during either period.

See accompanying notes and accountant's report.

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AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

(Unaudited)

1.

BASIS OF PRESENTATION

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The unaudited interim financial statements of AirTrax, Inc. (the Company) as of September 30, 2002 and for the three month and nine month periods ended September 30, 2002 and 2001, respectively, have been prepared in accordance with generally accepted accounting principles. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. The results of operations for the quarter and nine month periods ended September 30, 2002 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2002.

Certain information and disclosures normally included in the notes to financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission, although the Company believes the disclosure is adequate to make the information presented not misleading. The accompanying unaudited financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2001.

Item 2. Management's Discussion and Analysis.

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

Forward Looking Statements.

Forward Looking Statements

Certain of the statements contained in this Quarterly Report on Form 10-QSB include "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). See the Company's Annual Report on Form 10-KSB for the period ending December 31, 2001 (Form 10-KSB) for additional statements concerning operations and future capital requirements. Certain risks exist with respect to the Company and its business, which risks include the need for additional capital, lack of commercial product, lack of determined product prices and impact on profit margins, and limited operating history, among other factors. Readers are urged to refer to the section entitled Cautionary Statements in the Company's Form 10-KSB for a broader discussion of such risks and uncertainties.

Results of Operations.

Nine Months Ended September 30, 2002 compared with Nine Months Ended September 30, 2001.

For the nine month period ended September 30, 2002 and comparable period in 2001, the Company was a development stage company and the Company has not engaged in full-scale operations for these periods. The limited revenues for the periods have been derived from 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 products for military use,

and to a lesser extent the sale of omni-directional equipment to defense contractors. The period-to-period results presented and discussed below are not necessarily meaningful comparisons due to the Company's development stage status, and are not indicative of future results.

Revenues for the nine months ended September 30, 2002 were \$411,685 compared with \$129,909 in revenues for the same period in 2001. Revenues for the 2002 period consisted of \$379,061 in contract revenues from the United States Navy and \$32,597 in sales of a non omni-directional product. Revenues for the 2001 period consisted of \$127,801 in contract revenues from the United States Navy and \$2,108 in sales of a non omni-directional product.

Cost of goods sold for the 2002 and 2001 nine month periods were \$151,303 and \$6,253, respectively. Of the amount for the 2002 period, \$61,751 represented parts and \$89,552 represented employee salaries. The amount for the 2001 period represented parts and manufacturing costs for the non omni-directional product, \$280,050 which

Operating and administrative expenses which includes administrative salaries and overhead for the six nine month period June in 2002 totaled \$573,683 compared with \$573,149 for the same period in 2001. The slight decrease \$340,220 from the 2001 period is principally due to reduced product marketing and promotional expenses and reduced development costs of the omni-directional technology, partially offset by increased consulting fees. Income tax benefit is funds received from the State of New Jersey's technology tax transfer program which is designed to foster technology development in the State of New Jersey. Pursuant to this program, the Company is able to sell its net operating losses and research and development credits as calculated under state law to other businesses within the state in exchange for a cash payment equal to approximately 75% of such losses and credits. Income tax benefit accrued for the six month period in 2002 was \$28,177 contrasted with \$33,026 for the period in 2001.

consisted of administrative salaries and overhead expenses incurred during its development and initial operating phase which represents an increase of \$223,353 from the prior six month period ended June 30, 1996. Net loss accumulated during development stage for the nine month period in 2002 applicable to common shareholders was \$294,656 or \$0.05 per common share, compared with a net loss applicable to common shareholders of \$383,621 or \$0.08 per common share for the prior period. (\$407,421).

Liquidity and Capital Resources.

Since its inception, the Company has financed its operations through the private placement of its common stock. During 2000 and 2001, the Company raised approximately \$430,858 and \$348,600, respectively, net of offering costs from the private placement of its common stock. June During the nine month period in 2002, the Company raised \$343,501 net of offering costs from the private placement of 312,834 shares of its common stock. During this period

in 2002, the Company received a shareholder loan in the amount of \$66,625 which is due upon demand. In addition, under the New Jersey tax transfer program discussed above, the Company has received \$183,573 since inception.

As of September 30, 2002, the Company's working capital was \$171,924.

The Company anticipates that its cash requirements for the foreseeable future will be significant. In particular, management expects substantial expenditures for inventory and product production in anticipation of the rollout of its omni-directional forklift. Funds required to initiate production are estimated to be \$1,500,000. The Company intends to fund its operations through the issuance of equity and/or debt securities. Presently, the Company is seeking capital from one or more funding sources; however, at this time no arrangement has been finalized. No assurances can be given that the Company will be successful in obtaining sufficient capital to fund the initiation of its production activities. 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.

Total assets, net of accumulated depreciation, totaled \$845,281\$1,895,587 on September 30, 2002. Total assets, net of accumulated depreciation, totaled \$469,546 on December 31, 2001.

Item 3. Controls And Procedures.

(a)

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive officer and the principal financial officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

(b)

Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

Part II OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Securityholders.

None

Item 5. Other Information.

None

Item 6. Exhibits.

(a). Furnish the Exhibits required by Item 601 of Regulation S-B.

None.

(b). Reports on Form 8-K.

On August 6, 2002, the Company filed a report of Form 8-K to report information under Item 5 and Item 7.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIRTRAX, INC.

Date: November 14, 2002 /s/Peter Amico

Peter Amico

Chairman,

Principal Executive Officer and

Principal Financial Officer

CERTIFICATION

I, Peter Amico, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Airtrax, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Peter Amico

Chairman, President and

Chief Financial Officer