

AIRTRAX INC
Form 10QSB
November 21, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the period ended September 30, 2001.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE Act of 1934 for the transition period from ____ to ____.

Commission file number: 0-25791

AIRTRAX, INC.

(Name of Small Business Issuer in its charter)

New Jersey	22-3506376
(State of	(I.R.S. Employer
Incorporation)	I.D. Number)

870B Central Avenue, Hammonton, New Jersey 08037

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(Address of principal executive offices)

(Zip Code)

Issuer's telephone number: 609-567-7800.

(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
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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: X No:

(2). Yes: X No:

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The number of shares issued and outstanding of issuer's common stock, no par value, as of September 30, 2001 was 5,348,849.

Transitional Small Business Issuer Format (Check One):

Yes: No: X

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PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements.

AIRTRAX, INC.

(A Development Stage Company)

BALANCE SHEETS

September 30, 2001

December 31, 2000

—

ASSETS

Current Assets

Cash

\$ 3,235

\$ 23,663

Accounts receivable

17,595

34,382

Miscellaneous receivable

73,359

-

Inventory

740,420

764,875

Prepaid expenses

6,938

6,938

Deferred tax asset

25,868

61,285

Total current assets

867,415

891,143

Fixed Assets

Office furniture and equipment

45,598

35,303

Automotive equipment

16,915

16,915

Shop equipment

20,660

20,660

Casts and tooling

90,698

76,687

173,871

149,565

Less, accumulated depreciation

104,352

82,346

Net fixed assets

69,519

67,219

Other Assets

Patents net

42,452

45,331

Utility deposits

65

65

Total other assets

42,517

45,396

TOTAL ASSETS

\$ 979,451

\$ 1,003,758

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities

Accounts payable

\$ 740,497

\$ 763,210

Accrued liabilities

49,489

35,630

Stockholder note payable

25,414

23,314

Total current liabilities

815,400

822,154

Stockholders Equity

Common stock authorized, 10,000,000 shares without
par value; 5,348,849 and 5,040,621, respectively,

issued and outstanding

2,774,617

2,408,549

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

12,950

12,950

Deficit accumulated during the development stage

(2,416,564)

(2,032,943)

Deficit prior to development stage

(206,952)

(206,952)

Total stockholders equity

164,051

181,604

TOTAL LIABILITIES AND

STOCKHOLDER S EQUITY

\$ 979,451

\$ 1,003,758

These statements should be read in conjunction with the year end financial statements.

AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS and DEFICIT

ACCUMULATED DURING DEVELOPMENT STAGE

For the Three Month Periods Ended September 30, 2001 and 2000

May 19, 1997

(Date of Inception)

2001

2000

to September 30, 2001

SALES

\$ 41,479

\$ 25,701

\$ 430,694

COST OF GOODS SOLD

5,030

6,677

140,713

Gross Profit

36,449

19,024

289,981

OPERATING AND ADMINISTRATIVE EXPENSES

134,217

119,969

2,698,781

OPERATING LOSS

(97,768)

(100,945)

(2,408,800)

OTHER INCOME (EXPENSE)

Interest expense

(6,841)

(10,610)

(61,845)

Other income

50,000

24

63,186

NET LOSS BEFORE INCOME TAXES

(54,609)

(111,531)

(2,407,459)

INCOME TAX BENEFIT (STATE):

Current

4,916

10,038

99,227

Prior years

-

-

122,288

Total Benefit

4,916

10,038

221,515

LOSS ACCUMULATED DURING

DEVELOPMENT STAGE

\$ (49,693) \$(101,493)

(2,185,944)

PREFERRED STOCK DIVIDENDS DURING

DEVELOPMENT STAGE

(230,620)

DEFICIT ACCUMULATED DURING DEVELOPMENT

STAGE

\$(2,416,564)

NET LOSS PER SHARE Basic and Diluted

\$(.01)

\$(.02)

Supplemental Disclosure of Cash Flows Information:

Cash paid for interest was \$6,141 and 10,610, respectively, during the 2001 and 2000 periods. There was no cash paid for income taxes during either of the three month periods.

These statements should be read in conjunction with the year end financial statement.

AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS and DEFICIT

ACCUMULATED DURING DEVELOPMENT STAGE

For the Nine Month Periods Ended September 30, 2001 and 2000

May 19, 1997

(Date of Inception)

2001

2000

to September 30, 2001

SALES

\$ 129,909

\$ 58,090

\$ 430,694

COST OF GOODS SOLD

6,253

16,371

140,713

Gross Profit

123,656

41,719

289,981

OPERATING AND ADMINISTRATIVE EXPENSES

573,149

468,845

2,698,781

OPERATING LOSS

(449,493)

(427,126)

(2,408,800)

OTHER INCOME (EXPENSE)

Interest expense

(22,995)

(14,613)

(61,845)

Other income

50,925

26

63,186

NET LOSS BEFORE INCOME TAXES

(421,563)

(441,713)

(2,407,459)

INCOME TAX BENEFIT (STATE):

Current

37,942

39,754

99,227

Prior years

-

-

122,288

Total Benefit

37,942

39,754

221,515

LOSS ACCUMULATED DURING

DEVELOPMENT STAGE

\$(383,621)

\$(401,959)

(2,185,944)

PREFERRED STOCK DIVIDENDS DURING

DEVELOPMENT STAGE

(230,620)

DEFICIT ACCUMULATED DURING DEVELOPMENT

STAGE

\$(2,416,564)

NET LOSS PER SHARE Basic and Diluted

\$(.08)

\$(.10)

Supplemental Disclosure of Cash Flows information:

Cash paid for interest was \$20,895 and 14,613, respectively, during the 2001 and 2000 periods. Cash paid for income taxes was \$300 and \$200, respectively.

These statements should be read in conjunction with the year end financial statements.

AIRTRAX, INC.

(A Development Stage Company)

STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

For the Nine Month Period Ended September 30, 2001

COMMON

PREFERRED

DEFICIT ACCUMULATED

DEFICIT PRIOR

STOCK

STOCK

DURING

TO

Shares

Amount

Shares

Amount

DEVELOPMENT STAGE

DEVELOPMENT STAGE TOTAL

-

Balance, December 31, 2000

5,040,621

\$2,408,549

275,000

\$12,950

\$(2,032,943)

\$(206,952)

\$ 181,604

Private placement sales of stock

228,199

342,301

342,301

Shares issued for services

12,757

18,767

18,767

Shares issued upon the

exercise of options

10,000

5,000

5,000

Stock issued for MAS merger

57,272

-

-

Net loss for the period

(383,621)

(383,621)

-

Balance, September 30, 2001

5,348,849

\$2,774,617

275,000

\$12,950

\$(2,416,564)

\$(206,952)

\$ 164,051

These statements should be read in conjunction with the year end financial statements.

AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the Nine Month Periods ended September 30, 2001 and 2000

May 19, 1997

(Date of Inception)

2001

2000 to September 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss

\$(383,621)

\$(401,959)

\$(2,185,944)

Adjustments to reconcile net loss to net cash

consumed by operating activities:

Depreciation and amortization

24,885

25,536

129,507

Value of common stock issued for services

18,767

41,956

99,569

Accrual of deferred tax benefit

(37,942)

(39,754)

(99,227)

Changes in current assets and liabilities:

(Decrease) increase in accounts payable and
accrued liabilities

(8,854)

251,507

789,986

Decrease (Increase) in prepaid expense

-

-

(7,003)

Decrease (increase) in accounts receivable 16,787

61,281

(17,596)

Decrease (increase) in inventory

24,455 (297,128)

(740,420)

Net Cash Consumed By

Operating Activities

(345,523)

(358,561)

(2,031,128)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of equipment

(24,306)

(5,749)

(173,870)

Additions to patent cost

-

(25,346) (67,607)

Net Cash Consumed By

Investing Activities

(24,306)

(31,095)

(241,477)

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds of common stock sales

347,301

370,243

2,290,979

Proceeds (repayment) of borrowing

-

(4,315)

12,950

Proceeds of stockholder loans

2,100 -

25,414

Preferred stock dividends paid in cash

-

-

(53,503)

Net Cash Provided By

Financing Activities

349,401 365,928

2,275,840

Net Increase (Decrease) In Cash

(20,428)

(23,728)

3,235

Balance at beginning of period

23,663

48,652

-

Balance at end of period

\$ 3,235

\$ 24,924

\$ 3,235

These statements should be read in conjunction with the year end financial statements.

AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

1.

BASIS OF PRESENTATION

The unaudited interim financial statements of AirTrax, Inc. (the Company) as of September 30, 2001 and for the three month and nine month periods ended September 30, 2001 and 2000, 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 quarters and nine month periods ended September 30, 2001 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2001.

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, 2000.

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, 2000 (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, 2001 compared with Nine Months Ended September 30, 2000.

For the period ended September 30, 2001 and comparable period in 2000, 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, 2001 six Juwere \$129,909 compared with \$58,090 in revenues for the same period in 2000. Revenues for the 2001 period consisted principally of contract revenues from the United

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States Navy. Of the total revenues for 2000, \$18,000 were contract revenues with the United State Navy, \$11,000 were omni-directional related from a defense contractor, and the balance were sales of a non omni-directional product.

Cost of goods sold for the 2001 and 2000 periods were \$6,253 and \$16,731, respectively, representing principally parts and manufacturing costs for the non omni-directional product.\$280,050 which

General and administrative expenses which includes administrative salaries and overhead for the six nine month period June in 2001 totaled \$573,149 compared with \$468,845 for the same period in 2000. The increase \$340,220 of...

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