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AIRTRAX INC  
Form 10QSB  
August 15, 2005

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2005.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 001-16237

AIRTRAX, INC.  
(Name of Small Business Issuer in its charter)

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

22-3506376  
(IRS Employer Identification No.)

200 Freeway Drive, Unit One, Blackwood, NJ 08012  
(Address of principal executive offices)

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

870B Central Avenue, Hammonton NJ 08037  
(Former name, former address and former fiscal year,  
if changed since last report)

Check whether issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court: Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 04, 2005, the issuer had 21,695,735 shares of common stock, no par value, issued and outstanding.

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

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AIRTRAX, INC.  
JUNE 30, 2005 QUARTERLY REPORT ON FORM 10-QSB

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AIRTRAX, INC.

(A Development Stage Company)

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## FINANCIAL STATEMENTS

JUNE 30, 2005

(Unaudited)

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

	June 30, 2005
	-----
	(Unaudited)
ASSETS	
Current Assets	
Cash	\$ 1,098,691
Accounts receivable	2,445
Accrued interest receivable	244,666
Inventory	1,673,435
Prepaid expenses	-
Vendor advance	173,017
Deferred tax asset	448,860
	-----
Total current assets	3,641,114
Fixed Assets	
Office furniture and equipment	111,786
Automotive equipment	21,221
Shop equipment	43,619
Casts and tooling	236,484
	-----
Less, accumulated depreciation	413,110
	266,592
	-----
Net fixed assets	146,518
Other Assets	

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Advances to FiLCO GmbH	5,266,136
Patents - net	145,152
Bond discount	479,167
Utility deposits	65
	-----
Total other assets	5,890,520
	-----
TOTAL ASSETS	\$ 9,678,152
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Accounts payable	\$ 559,506
Accrued liabilities	424,555
Shareholder deposits for stock	-
Shareholder notes payable	33,460
	-----
Total current liabilities	1,017,521
Long Term Convertible Debt	500,000
	-----
TOTAL LIABILITIES	1,517,521
	-----
Stockholders' Equity	
Common stock - authorized, 100,000,000 shares without par value; issued and outstanding - 21,639,926 and 15,089,342, respectively	15,005,573
Paid in capital - warrants	3,233,312
Preferred stock - authorized, 5,000,000 shares without par value; 375,000 issued and outstanding	545,491
Deficit accumulated during development stage	(10,416,793)
Deficit prior to development stage	(206,952)
	-----
Total stockholders' equity	8,160,631
TOTAL LIABILITIES AND	-----
STOCKHOLDER'S EQUITY	\$ 9,678,152
	=====

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

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	2005	2004
	-----	-----
SALES	\$ 167,545	\$ -
COST OF GOODS SOLD	160,126	-
	-----	-----
Gross Profit	7,419	-
OPERATING AND ADMINISTRATIVE EXPENSES	2,007,882	848,141
	-----	-----
OPERATING LOSS	(2,000,463)	(848,141)
OTHER INCOME AND EXPENSE		
Interest expense	(74,430)	(13,730)
Interest income	172,300	10,127
Other income	211	94
	-----	-----
NET LOSS BEFORE INCOME TAXES	(1,902,382)	(851,650)
	-----	-----
INCOME TAX BENEFIT (STATE):		
Current	224,446	67,770
Prior years	-	-
	-----	-----
Total Benefit	224,446	67,770
	-----	-----
NET LOSS BEFORE DIVIDENDS	(1,677,936)	(783,880)
DEEMED DIVIDENDS ON PREFERRED STOCK	479,167	-
	-----	-----
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(2,157,103)	(783,880)
PREFERRED STOCK DIVIDENDS DURING DEVELOPMENT STAGE	(51,563)	(85,937)
	-----	-----
DEFICIT ACCUMULATED	\$ (2,208,666)	\$ (869,817)
	=====	=====
NET LOSS PER SHARE - Basic and Diluted	\$ (.11)	\$ (.08)
WEIGHTED AVERAGE SHARES OUTSTANDING	19,435,015	10,267,532

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

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AIRTRAX, INC.  
 (A Development Stage Company)  
 STATEMENTS OF OPERATIONS AND DEFICIT  
 ACCUMULATED DURING DEVELOPMENT STAGE  
 For the Three Month Periods Ended June 30, 2005 and 2004  
 (Unaudited)

	2005	2004
SALES	\$ 90,554	\$ —
COST OF GOODS SOLD	107,765	—
Gross Profit (Loss)	(17,211)	—
OPERATING AND ADMINISTRATIVE EXPENSES	1,284,288	549,332
OPERATING LOSS	(1,301,499)	(549,332)
OTHER INCOME AND EXPENSE		
Interest expense	(34,158)	(6,126)
Interest income	111,156	10,127
Other income	75	94
NET LOSS BEFORE INCOME TAXES	(1,224,426)	(545,237)
INCOME TAX BENEFIT (STATE):		
Current	166,301	41,811
Prior years	—	—
Total Benefit	166,301	41,811
NET LOSS BEFORE DIVIDENDS	(1,058,125)	(503,426)
DEEMED DIVIDENDS ON PREFERRED STOCK	479,167	—
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(1,537,292)	(503,426)
PREFERRED STOCK DIVIDENDS DURING DEVELOPMENT STAGE	(51,563)	(40,104)
DEFICIT ACCUMULATED	\$ (1,588,855)	\$ (543,530)

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NET LOSS PER SHARE - Basic and Diluted	\$	(.07)	\$	(.05)
WEIGHTED AVERAGE SHARES OUTSTANDING		21,477,816		11,430,485

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

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AIRTRAX, INC.  
(A Development Stage Company)  
STATEMENTS OF CASH FLOWS For the Six Month Periods  
ended June 30, 2005 and 2004  
(Unaudited)

	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,157,103)	\$ (783,880)
Adjustments to reconcile net loss to net cash consumed by operating activities:		
Charges not requiring the outlay of cash:		
Depreciation and amortization	21,666	18,106
Amortization of bond discount	20,833	-
Common stock issued for services	633,943	278,244
Options granted for services	83,650	-
Stock issued in settlement of interest obligation	36,986	-
Increase in accrual of deferred tax benefit	(224,446)	(67,770)
Deemed dividends on preferred stock	479,167	-
Interest accrued on shareholder loan	2,007	2,925
Changes in current assets and liabilities:		
Increase in accrued interest receivable	(157,999)	-
Increase in accounts receivable	(2,445)	(37,485)
Increase in vendor advances	(121,000)	-
Increase (decrease) in accounts payable and accrued liabilities	45,945	(345,261)
Increase in prepaid expenses	-	-
Increase in inventory	(964,154)	(33,833)
	-----	-----
Net Cash Consumed By Operating Activities	(2,302,950)	(968,954)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of equipment	(71,137)	(25,412)
Additions to patent cost	(31,460)	-
Advances to Filco GmbH	(2,596,136)	(1,000,000)
	-----	-----

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Net Cash Consumed By Investing Activities	(2,698,733)	(1,025,412)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds of issuance of convertible debt	4,277,500	-
Net proceeds of common stock sales	55,000	2,457,212
Proceeds of convertible loan	409,913	-
Proceeds from exercise of warrants	718,486	-
Proceeds of sales of preferred stock	-	-
Proceeds from exercise of options	-	-
Borrowings (repayments) of stockholder loans	(2,002)	(52,005)
Preferred stock dividends paid in cash	-	(85,937)
Principal payments on installation note	-	(471)
Net Cash Provided By Financing Activities	5,458,897	2,318,799
Net Increase In Cash	457,214	324,433
Balance at beginning of period	641,477	37,388
Balance at end of period	\$ 1,098,691	\$ 361,821

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

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AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

1. BASIS OF PRESENTATION

The unaudited interim financial statements of AirTrax, Inc. ("the Company") as of June 30, 2005 and for the three month and six month periods ended June 30, 2005 and 2004, respectively, have been prepared in accordance with accounting principals generally accepted in the United States of America. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. The results of operations for the quarter and six month period ended June 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2005.

Certain information and disclosures normally included in the notes to financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission, although the Company



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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, 2005.

### 2. COMMON STOCK

The certificate of incorporation was amended on March 28, 2005 to increase the number of authorized shares to 100,000,000 for the common no par stock, and to 5,000,000 for the preferred no par stock.

### 3. COMMON STOCK AND WARRANTS

On February 11, 2005, the Company issued \$5,000,000 of 6% convertible promissory notes, which were convertible into Company common stock and two classes of warrants to purchase Company common stock. The notes were to mature on August 10, 2005. The Company retained the right to require conversion of the notes at a price of \$1.30 per share. Conversion occurred on March 29, 2005 and 3,846,154 shares of common stock were issued. In addition, warrants to purchase common stock were issued in connection with this transaction, as follows: 1,923,077 Class A warrants and 961,538 Class B warrants. The Class A warrants are exercisable for a five year period at a price per share of \$1.85. The Class B warrants are exercisable for a five year period at a price per share of \$2.11. As partial compensation, the broker-dealer which arranged this transaction was awarded 484,616 warrants to purchase common stock, 384,616 at \$1.85 per share, and 100,000 at \$1.00 per share.

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AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

On May 14, 2005, the Company issued a \$ 500,000 8% convertible note. The note is scheduled for maturity in two years. During that period, it can be converted to stock at a rate of \$ 1.30 per share, which would translate to 384,615 shares. Accompanying the convertible note were 384,615 warrants to purchase common stock at \$2.11 per share; these warrants are exercisable over a five year period.

A total of 8,536,298 warrants were outstanding at June 30, 2005 as follows:

	Class A -----	Class B -----
Outstanding at December 31, 2004		
Issued in connection with conversion of \$5,000,000 in convertible notes	1,923,077	961,538
Warrants issued in conjunction with \$500,000 of convertible debt		384,615
Reductions:		
Warrants exercised		

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Warrants voided  
Other warrants issued

	1,923,077	1,346,153
--	-----------	-----------

Shares of common stock were issued during the second quarter and first six months of 2005 as follows:

	Second Quarter
Conversion of \$5,000,000 notes	
Private placement sales	
Shares issued based on warrants exercised	130,858
Issuance of shares sold in prior year	
Shares issued for services	264,400
Shares issued in settlement of interest due to registrants	28,453
	423,711
Total shares issued	

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AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

#### 4. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was \$ 5,803 and \$10,135, respectively, for the six month periods ended June 30, 2005 and June 30, 2004. There was no cash paid for income taxes during either the 2005 or 2004 six month periods.

There were no noncash investing activities during either the or 2005 or 2004 periods. The following noncash financing activities occurred during these periods.

- a. During the second quarter of 2005, the Company issued 24,853 shares in settlement of the interest obligation on its \$ 5,000,000 convertible issue prior to the conversion of the notes to stock.
- b. Shares of common stock were issued for services in 2005 and 2004; these totaled 224,000 shares and 163,745, respectively.
- c. Shares were issued in 2005 and 2004 in settlement of shares paid for in prior years. These amounted to 1,749,827 shares and 30,000 shares, respectively.

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AIRTRAX, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

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### 5. OPERATING AND ADMINISTRATIVE EXPENSES

The following expenses are unaudited:

	6 Months Ended June 30, 2005	6 Months Ended June 30, 2004
	-----	-----
Stock-Based Compensation	\$ 83,650	\$ -
Payroll	254,894	150,573
Marketing	202,978	32,617
Production Costs	152,705	56,175
Professional Fees	306,068	66,674
Consulting Expenses	407,943	285,275
Insurance	129,879	54,480
Penalties	120,429	-
Other Expenses	349,336	202,347
	-----	-----
Totals	\$ 2,007,882	\$ 848,141
	-----	-----

### 6. CONTINGENCY

The Company has a tentative agreement to purchase 75.1% of the stock of FiLCO GmbH (FiLCO, a German manufacturer of fork trucks with a manufacturing facility in Mulheim, Germany). During the pendency of the tentative agreement, the Company has agreed to make advances to FiLCO. Through June 30, 2005, loans totaling \$ 5,266,236 had been made. These loans may be converted to capital on the books of FiLCO. The seller, who will continue to own the remaining 24.9% of the FiLCO stock, has agreed that, if the Company converts its loan to capital, he will also convert to FiLCO capital a loan of 1,225,000 Euros that FiLCO owes to him. As additional consideration for this FiLCO stock purchase, the Company has agreed to pay the seller 12,750 Euros and to issue to the seller 900,000 warrants to purchase Company stock; these warrants would be exercisable at \$ .01 per share. The Company has appointed the seller of the FiLCO stock as a director of the Company and would grant him options to purchase 100,000 shares of Company stock for \$ .01. Additionally, the Company agreed to advance funds, if needed, to FiLCO to provide for its working capital needs. Any advances made under the latter provision would be collateralized by the remaining 24.9% of FiLCO stock and would be repaid only from dividends paid on the stock..

As of June 30, 2005, the Company had not concluded the contract and had not issued any of the warrants or options contemplated by the tentative agreement.

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### Item 2. Management's Discussion and Analysis and Results of Operations Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those in the forward-looking statements as a result of various important factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such should not be regarded as a representation by AIRTRAX, Inc., or any other person, that such forward-looking statements will be achieved. The

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business and operations of AIRTRAX, Inc. are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report.

### Overview

Since 1995, substantially all of our resources and operations have directed towards the development of the omni-directional wheel and related components for forklift and other material handling applications. Many of the components, including the unique shaped wheels, motors, and frames, have been specially designed by us and specially manufactured for us. Four pilot models of the commercial omni-directional lift truck are operational and have been used for extensive testing over the past few years.

We have completed our initial production run consisting of 10 units of our Sidewinder ATX-3000 Omni-Directional Lift Truck. Two of these vehicles have been sold to consumers while several of the other eight trucks will be used for additional testing including UL (Underwriters Laboratories) compliance. Unit assembly for the first 10 units was completed by us at the H&R Industries facility in Warminster, PA. ANSI testing is completed using specified mast and will be continued throughout the second and third quarters on optional mast to be used with this vehicle. Final UL compliance must be completed at the plant of initial and final assembly. Following required compliance testing, we expect to sell the remainder of these units to select dealers in the United States. We have received orders for these units.

We have incurred losses and experienced negative operating cash flow since our formation. For the three months ended June 30, 2005 and 2004, we had a net loss of \$(1,537,292) and \$(503,426), respectively. We expect to continue to incur significant expenses. Our operating expenses have been and are expected to continue to outpace revenues and result in significant losses in the near term. We may never be able to reduce these losses, which will require us to seek additional debt or equity financing.

Our principal executive offices are located at 200 Freeway Drive, Unit One, Blackwood, NJ 08012 and our telephone number is (609) 567-7800. We are incorporated in the State of New Jersey.

### Company History

We were incorporated in the State of New Jersey on April 17, 1997. On May 19, 1997, we entered into a merger agreement with a predecessor company that was incorporated on May 10, 1995. We were the surviving company in the merger.

Effective November 5, 1999, we merged with MAS Acquisition IX Corp ("MAS"), and were the surviving company in the merger. Pursuant to the Agreement and Plan of Merger, as amended, each share of common stock of MAS was converted to 0.00674 shares of our company. After giving effect to fractional and other reductions, MAS shareholders received 57,280 of our shares as a result of the merger.

Results of Operations - Three Months Ended June 30, 2005 compared with Three Months Ended June 30, 2004

We have been a development stage company for the periods ended June 30, 2005 and 2004 and have not engaged in full-scale operations for the periods indicated. The limited revenues for the periods have been derived from the first sales of the Sidewinder Omni-Directional Lift Truck. During 2005, we expect to transition from a development stage company to an operating company as we begin production and sales of the Sidewinder Omni-Directional Lift Truck. Consequently, management believes that the year-to-year comparisons described below are not indicative of future year-to-year comparative results.

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### Revenues

For the three-month period ended June 30, 2005, the Company had sales revenue of \$90,544. This compares to revenues of \$-0- for the three months ended June 30, 2004. The increase in sales revenue represents the first sales of the SIDEWINDER Omni-Directional Lift Truck to Airtrax Canada, a non-affiliate.

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### Cost of Goods Sold

The Company's cost of goods sold for the three months ended June 30, 2005 amounted to \$107,765. For the three months ended June 30, 2004, the Company's cost of goods sold was \$-0-. The Company's \$107,765 cost of goods sold reflects the cost of the lift trucks sold during the three months ended June 30, 2005.

The Company is entitled to a benefit for the effect on income taxes on the net operating loss. Accordingly, a benefit in the amount of \$166,301 has been recorded for the second quarter of 2005 and \$41,811 was recorded during the second quarter of 2004.

### Operating and Administrative Expenses

Operating and administrative expenses includes administrative salaries and overhead. For the three months ended June 30, 2005, the Company's operating and administrative expenses totaled \$1,284,288. Operating and administrative expenses totaled \$549,332 for the three months ended June 30, 2004. For the three months ended June 30, 2005 operating and administrative expenses increased \$734,956 compared with the same period of 2004. These changes are a result of the time and material costs preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

### Loss Before Income Taxes

Loss before income taxes for the three month period ended June 30, 2005 totaled \$1,224,426. For the three months ended June 30, 2004, loss before income taxes totaled \$545,237. The increase in loss before income tax for the three months ended June 30, 2005 compared with the same period of 2004 was caused by the time and material allocations preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

### Preferred Stock Dividends

During the three months ended June 30, 2005, the Company paid \$51,563 dividends on preferred stock. During the three months ended June 30, 2004, the Company paid dividends on preferred stock in the amount of \$-0-. The preferred stock dividends are payable to a company that is owned by our President.

### Results of Operations - Six Months Ended June 30, 2005 compared with Six Months Ended June 30, 2004

We have been a development stage company for the six months ended June 30, 2005 and 2004 and have not engaged in full-scale operations for the periods indicated. The limited revenues for the periods have been derived from the first sales of the Sidewinder Omni-Directional Lift Truck. During 2005, we expect to transition from a development stage company to an operating company as we begin production and sales of the Sidewinder Omni-Directional Lift Truck. Consequently, management believes that the year-to-year comparisons described below are not indicative of future year-to-year comparative results.

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### Revenues

For the six-month period ended June 30, 2005, the Company had sales revenue of \$167,545. This compares to revenues of \$-0- for the six months ended June 30, 2004. The increase in sales revenue represents the first sales of a total of 4 SIDEWINDER Omni-Directional Lift Trucks plus batteries and chargers.

### Cost of Goods Sold

The Company's cost of goods sold for the six months ended June 30, 2005 amounted to \$160,126. For the six months ended June 30, 2004, the Company's cost of goods sold was \$-0-. The Company's \$160,126 cost of goods sold reflects the cost of the lift trucks sold during the six months ended June 30, 2005.

The Company is entitled to a benefit for the effect on income taxes on the net operating loss. Accordingly, a benefit in the amount of \$224,446 has been recorded for the six months ended June 30, 2005 and \$67,770 was recorded during the six months ended June 30, 2004.

### Operating and Administrative Expenses

Operating and administrative expenses includes administrative salaries and overhead. For the six months ended June 30, 2005, the Company's operating and administrative expenses totaled \$2,007,882. Operating and administrative expenses totaled \$848,141 for the six months ended June 30, 2004. For the six months ended June 30, 2005 operating and administrative expenses increased \$1,159,741 compared with the same period of 2004. These changes are a result of the time and material costs preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

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### Loss Before Income Taxes

Loss before income taxes for the six month period ended June 30, 2005 totaled \$1,902,382. For the six months ended June 30, 2004, loss before income taxes totaled \$851,650. The increase in loss before income tax for the six months ended June 30, 2005 compared with the same period of 2004 was caused by the time and material allocations preparing for production of the SIDEWINDER and other production related issues including labor and materials used to outfit the new Airtrax assembly plant in Blackwood NJ.

### Preferred Stock Dividends

During the six months ended June 30, 2005, the Company paid \$51,563 on preferred stock. During the six months ended June 30, 2004, the Company paid dividends on preferred stock in the amount of \$-0-. The preferred stock dividends are payable to a company that is owned by our President.

### Liquidity and Capital Resources

As of June 30, 2005, the Company's cash on hand was \$1,098,691 and working capital was \$2,623,593. Since its inception, the Company has financed its operations through the private placement of its common stock. During the three months ended June 30, 2005, the Company sold an aggregate of 68,750 shares of common stock to accredited and institutional investors. During the three months ended June 30, 2004, the Company sold an aggregate of 1,778,875 shares of common stock to accredited and institutional investors and issued an aggregate of 163,745 shares of common stock in consideration for services rendered.

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The Company anticipates that its cash requirements for the foreseeable future will be significant. In particular, management expects substantial expenditures for inventory, production, and advertising in anticipation of the rollout of its omni-directional forklift. The Company expects that it will be required to raise funds through the private or public offering of its securities.

The Company's initial production run of ten SIDEWINDER Omni-Directional Lift Trucks was completed in the first quarter of 2005. The Company will need additional funds to support production requirements beyond the initial production run of its forklift which are estimated to be \$10,000,000. Of the total amount, approximately 25% is projected for parts and component inventory and manufacturing costs, with the balance projected as general operating expenditures, which includes overhead and salaries and the additional funds to complete the proposed acquisition of the 75.1% interest in Filco GmbH ("Filco"), primarily for Filco's working capital needs. As of June 30, 2005, the Company has loaned to Filco a total of \$5,266,136. The Company intends to complete the acquisition of Filco once operating capital for Filco is secured to finance their operations. The Company leased facilities starting in the second quarter of 2005 as corporate headquarters. This building will also facilitate the assembly of the SIDEWINDER and other omni-directional products, partial assembly of Filco lift trucks, if the proposed acquisition is completed, warranty work, and product distribution. The Company currently rents or leases space at Warminster PA and Flemington NJ. These leases and/or rentals will be terminated as the workload permits.

As of June 30, 2005, our working capital was \$2,623,593. Fixed assets, net of accumulated depreciation, and total assets, as of June 30, 2005 and 2004, were \$146,518 and \$9,678,152, respectively. Current liabilities as of June 30, 2005 were \$1,017,521.

### Item 3. Controls and Procedures

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

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## Part II - OTHER INFORMATION

### Item 1. Legal Proceedings

None.

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

On May 31, 2005, we entered into a 8% Series B Unsecured Convertible Debenture and Warrants Purchase Agreement (the "Purchase Agreement") with one accredited investor pursuant to which we sold a \$500,000 principal amount unsecured convertible debenture (the "Debenture") convertible into shares of our common

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stock, no par value, and stock purchase warrants (the "Warrants") to purchase shares of our common stock to a certain investor who is a party to the Purchase Agreement (the "Investor") for an aggregate purchase price of \$500,000.

The Debenture matures on May 31, 2007 and pays simple interest quarterly accruing at the annual rate of 8%, either in the form of our common stock, which shall be valued at the conversion price in effect on the trading day prior to the date interest is due, or cash, each at our option. The Debenture is convertible into shares of our common stock at a conversion price equal to \$1.30, subject to adjustment in certain events, including, without limitation, upon our consolidation, merger or sale of all or substantially all of our assets, a reclassification of our common stock, or any stock splits, combinations or dividends with respect to our common stock. We may in our discretion require that the Investor convert all or a portion of the Debenture and the Investor may in its discretion require that we redeem all or a portion of the Debenture.

In addition, we issued 384,615 Warrants to the Investor, representing an amount of Warrants equal to 100% of the quotient of (i) the principal amount of the Debenture issued at the closing date divided by (ii) the conversion price on the closing date. The Warrants are exercisable at a price equal to \$2.11, subject to adjustment in certain events, including, without limitation, upon our consolidation, merger or sale of all or substantially all of our assets, a reclassification of our common stock, or any stock splits, combinations or dividends with respect to our common stock, from the date of issuance until 5 years after the closing date.

First Montauk Securities Corp. (the "Selling Agent") acted as selling agent in connection with the offering. We issued a total of 38,462 Warrants on May 31, 2005 to the Selling Agent and the Selling Agent received gross fees of \$65,000, as consideration for services performed in connection with the issuance of the Debenture and Warrants to the Investor pursuant to the Purchase Agreement. The Selling Agent has no obligation to buy any Debenture or Warrants from us. In addition, we have agreed to indemnify the Selling Agent and other persons against specific liabilities under the Securities Act of 1933, as amended.

The issuance of the aforementioned securities was exempt from registration requirements of the Securities Act of 1933 pursuant to Section 4(2) of such Securities Act and Regulation D promulgated thereunder based upon the representations of each of the purchasers that it was an "accredited investor" (as defined under Rule 501 of Regulation D) and that it was purchasing such securities without a present view toward a distribution of the securities. In addition, there was no general advertisement conducted in connection with the sale of the securities.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits



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(a) Exhibits.

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- 3.1 Certificate of Incorporation of Airtrax, Inc. dated April 11, 1997. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 1999).
- 3.2 Certificate of Correction of the Company dated April 30, 2000 (Filed as an exhibit to Company's Form 8-K filed with the Securities and Exchange Commission on November 17, 1999).
- 3.3 Certificate of Amendment of Certificate of Incorporation dated March 19, 2001 (Filed as an exhibit to Company's Form 8-K filed with the Securities and Exchange Commission on November 17, 1999).
- 3.4 Certificate of Amendment of Certificate of Incorporation dated April 1, 2005 (Filed as an exhibit to Company's Form 10-QSB filed with the Securities and Exchange Commission on May 16, 2005).
- 3.5 Amended and Restated By-Laws of the Company. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 1999).
- 4.1 Form of Common Stock Purchase Warrant issued to investors pursuant to the May 2004 private placement. (Filed previously)
- 4.2 Form of Common Stock Purchase Warrant dated as of November 22, 2004 and November 23, 2004. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 30, 2004).
- 10.1 Agreement and Plan of Merger by and between MAS Acquisition IX Corp. and Airtrax, Inc. dated November 5, 1999. (Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on January 13, 2000).
- 10.2 Employment agreement dated April 1, 1997 by and between the Company and Peter Amico. (Filed as an exhibit to the Company's Form 8-K/A filed with the Securities and Exchange Commission on January 13, 2000).
- 10.3 Employment agreement dated July 12, 1999, by and between the Company and D. Barney Harris. (Filed as an exhibit to the Company's Form 8-K/A filed with the Securities and Exchange Commission on November 19, 1999).
- 10.4 Consulting Agreement by and between MAS Financial Corp. and Airtrax, Inc. dated October 26, 1999. (Filed as exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 1999).
- 10.5 Employment Agreement effective July 1, 2002 by and between the Company and Peter Amico (filed as an exhibit to the Company's Form 10-KSB for the period ended December 31, 2002)
- 10.6 Agreement dated July 15, 2002 by and between the Company and Swingbridge Capital LLC and Brian Klanica. (Filed as an exhibit to the Company's Form 8-K filed on August 7, 2002).
- 10.7 Purchase Agreement, dated November 22, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership, Whalehaven Capital Fund. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).

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- 10.8 Joinder to the Purchase Agreement, dated November 23, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership and Linda Hechter. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.9 Registration Rights Agreement, dated November 22, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership, Whalehaven Capital Fund and First Montauk Securities Corp. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.10 Joinder to the Registration Rights Agreement, dated November 23, 2004, by and among Airtrax, Inc. and Excalibur Limited Partnership, Stonestreet Limited Partnership, Linda Hechter and First Montauk Securities Corp. (Filed as an exhibit to the Company's Form 8-K filed on November 30, 2004).
  - 10.11 Subscription Agreement, dated February 11, 2005, by and among Airtrax, Inc. and the investors named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
  - 10.12 Form of Series A Convertible Note of Airtrax, Inc. dated as of February 11, 2005 (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
  - 10.13 Form of Class A Common Stock Purchase Warrant of Airtrax, Inc. dated as of February 11, 2005 (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
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- 10.14 Form of Class B Common Stock Purchase Warrant of Airtrax, Inc. dated as of February 11, 2005 (Filed as an exhibit to the Company's Form 8-K filed on February 11, 2005).
  - 10.15 Series B Unsecured Convertible Debenture and Warrants Purchase Agreement, dated May 31, 2005, by and between Airtrax, Inc. and the investor named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.16 Registration Rights Agreement dated May 31, 2005, by and between Airtrax, Inc. and the investor named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.17 Series B Unsecured Convertible Debenture of Airtrax, Inc. (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.18 Form of Stock Purchase Warrant of Airtrax, Inc. (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 10.19 Letter Agreement dated May 31, 2005 by and among Airtrax, Inc. and the investors named on the signature page thereto (Filed as an exhibit to the Company's Form 8-K filed on June 6, 2005).
  - 31.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Sarbanes-Oxley Section 302 (filed herewith).
  - 32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 15th day of August 2005.

AIRTRAX, INC.

By: /s/ Peter Amico

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