

Edgar Filing: AIRTRAX INC - Form 10QSB

AIRTRAX INC
Form 10QSB
May 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 March 31, 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

(State of
Incorporation)

22-3506376

(I.R.S. Employer
I.D. Number)

870B Central Avenue, Hammonton, New Jersey 08037
(Address of principal executive offices) (Zip Code)

Issuer's telephone number 609-567-7800.

1616 Pennsylvania Avenue, #122, Vineland, New Jersey 08361; 856-327-8112
(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: X No:
(2). Yes: X No:

The number of shares issued and outstanding of issuer's common stock, no par value, as of March 31, 2001 was 5,302,426.

Edgar Filing: AIRTRAX INC - Form 10QSB

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

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements.

INDEX

	Page
Balance Sheets	3
Statements of Income	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Item 2. Management's Discussion and Analysis.	13
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings.	15
Item 2. Changes in Securities.	15
Item 3. Defaults upon Senior Securities.	15
Item 4. Submission of Matters to Vote of Security Holders.	15
Item 5. Other Information.	15
Item 6. Exhibits and Reports on Form 8-K.	15
Signatures	16

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

	March 31, 2001	De
	-----	---
ASSETS		
Current Assets		
Cash	\$ 190,537	\$
Accounts receivable	4,619	

Edgar Filing: AIRTRAX INC - Form 10QSB

Inventory	788,415	
Prepaid expenses	6,938	
Deferred tax asset	78,694	

Total current assets	1,069,203	
Fixed Assets		
Office furniture and equipment	43,673	
Automotive equipment	16,915	
Shop equipment	20,660	
Casts and tooling	82,148	

	163,396	
Less, accumulated depreciation	90,852	

Net fixed assets	72,544	
Other Assets		
Patents - net	45,542	
Utility deposits	65	

Total other assets	45,607	

TOTAL ASSETS	\$ 1,187,354	\$
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 831,935	\$
Accrued liabilities	19,726	
Stockholder note payable	24,014	

Total current liabilities	875,675	
Stockholders' Equity		
Common stock - authorized, 10,000,000 shares without par value; issued and outstanding - 5,302,426 and	2,715,349	
Preferred stock - authorized, 500,000 shares without par value; 275,000 issued and outstanding	12,950	
Deficit accumulated during the development stage	(2,209,668)	
Deficit prior to development stage	(206,952)	

Total stockholders' equity	311,679	

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 1,187,354	\$
	=====	=====

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

-3-

AIRTRAX, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS and DEFICIT
ACCUMULATED DURING DEVELOPMENT STAGE
For the Three Month Period Ended March 31, 2001 and 2000

Edgar Filing: AIRTRAX INC - Form 10QSB

	2001	2000	Ma (Dat to M
	-----	-----	-----
SALES	\$ 35,967	\$ 27,589	\$
COST OF GOODS SOLD	2,904	5,899	
Gross Profit	----- 33,063	----- 21,690	
OPERATING AND ADMINISTRATIVE EXPENSES	220,219	193,925	
OPERATING LOSS	----- (187,156)	----- (172,235)	
OTHER INCOME AND (EXPENSE)			
Interest expense	(7,103)	(65)	
Other income	125	1	
NET LOSS BEFORE INCOME TAXES	----- (194,134)	----- (172,299)	
INCOME TAX BENEFIT (STATE):			
Current	17,409	-	
Prior years	-	-	
Total Benefit	----- 17,409	----- -	
LOSS ACCUMULATED DURING DEVELOPMENT STAGE	----- \$ (176,725)	----- \$ (172,299)	\$
PREFERRED STOCK DIVIDENDS DURING DEVELOPMENT STAGE			
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE			\$
NET LOSS PER SHARE - Basic and Diluted	----- \$ (0.03)	----- \$ (0.04)	=====

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

-4-

AIRTRAX, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
For the Three Month Periods ended March 31, 2001 and 2000

Edgar Filing: AIRTRAX INC - Form 10QSB

	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (176,725)	\$ (172,299)
Adjustments to reconcile net income to net cash consumed by operating activities:		
Depreciation and amortization	8,295	8,512
Value of common stock issued for services	-	6,208
Accrual of deferred tax benefit	(17,409)	
Changes in current assets and liabilities:		
Increase in accounts payable and accrued liabilities	53,521	132,189
Decrease (Increase) in prepaid expense	-	-
Decrease (increase) in accounts receivable	29,763	26,481
Increase in inventory	(23,540)	(140,038)
	-----	-----
Net Cash Consumed By Operating Activities	(126,095)	(138,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of equipment	(13,831)	(249)
Additions to patent cost	-	-
	-----	-----
Net Cash Consumed By Investing Activities	(13,831)	(249)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of common stock sales	306,800	153,079
Proceeds of sales of preferred stock	-	-
Proceeds of stockholder loans	-	1,990
Preferred stock dividends paid in cash	-	-
	-----	-----
Net Cash Provided By Financing Activities	306,800	155,069
	-----	-----
Net Increase (Decrease) In Cash	166,874	15,873
Balance at beginning of period	23,663	48,652
	-----	-----
Balance at end of period	\$ 190,537	\$ 64,525
	=====	=====

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

-5-

AIRTRAX, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Of Company

Edgar Filing: AIRTRAX INC - Form 10QSB

The Company was formed April 17, 1997. On May 19, 1997, it merged with a predecessor which had initiated and advanced the development of omni-directional technology. On November 5, 1999, the Company merged with MAS Acquisition IX Corp. ("MAS"), a reporting company under Federal securities law. Pursuant to this merger agreement, the Company assumed the reporting status of MAS. In both merger transactions, the Company was the surviving entity. For financial accounting purposes, the reverse merger with MAS was accounted for as a pooling of interests.

Business

The Company has designed a forklift vehicle using omni-directional technology obtained under a contract with the United States Navy Surface Warfare Center in Panama City, Florida. The right to exploit this technology grew out of a Cooperative Research and Development Agreement with the Navy. Significant resources have been devoted during the past two years to the construction of a prototype of this omni-directional forklift vehicle. It is expected to be in full commercial production during the third quarter of 2001. At that time, it will be offered to industrial users.

The Company has also developed a traditional helicopter ground handling machine which has been marketed by the Company on a limited basis.

Development Stage Accounting

The Company is a development stage company, as defined in Financial Accounting Standards (FAS) Statement No. 7. Generally accepted accounting principles that apply to established operating enterprises govern the recognition of revenue by a development stage enterprise and the accounting for costs and expenses. From inception to March 31, 2001, the Company has been in the development stage and all its efforts have been devoted to the development of a forklift vehicle with omni-directional technology that is suitable for market. Only small amounts of revenue have been realized through March 31, 2001.

Basis of Presentation

The Company has incurred losses from inception to March 31, 2001 of \$1,979,048. Activities have been financed primarily through private placements of equity securities. The Company may need to raise additional capital through the issuance of debt or equity securities to fund its operations.

-6-

1. continued

Cash

For purposes of the statements of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Inventory

Inventory consists principally of component parts and supplies which are being used to assemble forklift vehicles. Inventories are stated at the lower of cost (determined on a first in-first out basis) or market.

Edgar Filing: AIRTRAX INC - Form 10QSB

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed by using accelerated methods, with useful lives of seven years for furniture and shop equipment and five years for computers and automobiles.

Income Taxes

Deferred income taxes are recorded to reflect the tax consequences or benefits to future years of temporary differences between the tax bases of assets and liabilities, and of net operating loss carryforwards.

Intangible Assets

Patents

The Company incurred costs to acquire and protect certain patent rights. These costs were capitalized and are being amortized over a period of fifteen (15) years on a straight-line basis.

Prototype Equipment

The cost of developing and constructing the prototype omni-directional helicopter handling vehicle and the omni-directional forklift vehicle is expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimated.

-7-

1. continued

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair values at March 31, 2001.

Advertising Costs

The Company expenses advertising costs when the advertisement occurs. Advertising costs amounted to \$42,267 in the first quarter of 2001 and \$10,791 in the 2000 period.

Segment Reporting

Management treats the operations of the Company as one segment.

Revenue Recognition

Revenue is realized from product sales. Recognition occurs upon delivery.

Edgar Filing: AIRTRAX INC - Form 10QSB

Common Stock

Common stock is often issued in return for product, services, and as dividends on the preferred stock. These issuances are assigned values equal to the value of the product or service received or the market value of the common stock, with appropriate discounts, whichever is most clearly evident.

2. RELATED PARTY TRANSACTIONS

During 2000, 95,558 shares of common stock of the Company were issued in lieu of cash dividends on the preferred stock in the amount of \$56,751, as permitted by the terms of the preferred stock issue. The preferred stock is wholly owned by the majority shareholder (see Note 4 for description of the preferred stock). This majority shareholder is a corporation wholly owned by the president of the Company.

During 2000, a total of 129,999 shares were issued to the President and Vice President of the Company pursuant to their respective employment agreements yielding a total of \$60,851. Three non-employee directors each received 5,000 shares of common stock upon exercise of their director options yielding a total of \$7,500. In addition, the majority stockholder purchased 33,334 shares for \$50,001 during the 2000 period. The majority shareholder corporation made loans to the Company during 1999 and 2000. The related notes accrued interest at 12%, which totaled \$5,519 for the year 2000 and \$700 for the three months ended March 31, 2001. The unpaid balance of principal and interest was \$24,014 at March 31, 2001, and was due on demand.

-8-

During 2000, a board member received 5,539 shares of common stock in exchange for professional services rendered to the Company valued at \$9,000, and an affiliate of a board member received 2,097 shares of common stock in exchange for professional services rendered to the Company valued at \$6,208

Since June 1999, the Company has made its headquarters in premises owned by the Company president, which to date has been rent free.

3. PRIVATE PLACEMENT OFFERINGS

The Company conducted private placement offerings during 2000 and the first quarter of 2001. These offerings were exempt under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder. A total of 330,719 shares of common stock was sold under the offerings during 2000 and 204,533 shares during the first quarter of 2001, resulting in net proceeds of \$430,858 and \$306,800, respectively.

4. PREFERRED STOCK

The Company is authorized to issue 500,000 shares of preferred stock, without par value. At December 31, 2000, 275,000 of these shares had been issued. Each of these shares entitles the holder to a 5% cumulative dividend based on a \$5 per share stated value. If sufficient cash is not available, or at the option of the shareholder, these dividends may be paid in common stock. If payment is in stock, it is to be valued at a price calculated at thirty percent of the lower of the last price traded in either a public or private transaction during the applicable quarter. This issue of preferred stock also provides a voting right of 10 votes for each share. The holder of this preferred stock is

Edgar Filing: AIRTRAX INC - Form 10QSB

the majority shareholder of the Company, which is a corporation wholly owned by the Company's President and Chairman.

Dividends of \$68,750 accrued on this issue of preferred stock during the year 2000; an additional \$17,188 accrued during the first quarter of 2001. During 2000, the holder received dividends in the form of 95,558 shares of common stock, which were valued at \$56,751. At March 31, 2001, \$29,187 of dividends remains unpaid.

The characteristics of the remaining 225,000 preferred shares authorized have not been specified.

-9-

5. LOSS PER SHARE

Basic and diluted loss per share is based on the net loss divided by the weighted average number of common shares outstanding during the period.

	Three Months Ended March 31, 2001		
	Income (Loss)	Weighted Average Shares Outstanding	Per Sh Amou
Net Loss	\$ (176,725)		
Adjustment for preferred stock dividends	(17,188)		
Loss allocable to common shareholders - Basic and Diluted	\$ (193,913)	5,040,621	\$ (. . .)
	\$ (193,913)	5,040,621	\$ (. . .)
	Three Months Ended March 31, 2000		
Net loss	\$ (172,299)		
Adjustment for preferred stock dividends	(17,188)		
Loss allocable to common shareholders - Basic and Diluted	\$ (189,487)	4,589,809	\$ (. . .)
	\$ (189,487)	4,589,809	\$ (. . .)

-10-

Edgar Filing: AIRTRAX INC - Form 10QSB

6. INCOME TAXES

The Company has experienced losses each year since its inception. As a result, it has incurred no Federal income tax. The Internal Revenue Code allows net operating losses (NOL's) to be carried forward and applied against future profits for a period of twenty years. At December 31, 2000, the Company had NOL carryforwards of \$1,885,253 available for Federal taxes and \$586,773 for New Jersey taxes. The potential tax benefit of the state NOL's has been recognized on the books of the Company; the potential benefit of the Federal NOL's has been offset by a valuation allowance. If not used, these Federal carryforwards will expire as follows:

2017	\$129,092
2018	486,799
2019	682,589
2020	586,773

During the year 2000, the Company realized \$122,561 from the sale, as permitted by New Jersey law, of its rights to use the New Jersey NOL'S and research and development credits that had accrued through December 31, 1999. These potential New Jersey offsets are, thus, no longer available to the Company.

Under Statement of Financial Accounting Standards No. 109, recognition of deferred tax assets is permitted unless it is more likely than not that the assets will not be realized. At March 31, 2001, the Company has recorded deferred tax assets as follows:

	Current	Non-current	Total

Deferred Tax Assets	\$138,542	\$623,616	\$762,158
Valuation Allowance	59,848	623,616	683,464

Balance Recognized	\$ 78,694	\$ -	\$ 78,694
	=====		

The entire balance of the valuation allowance relates to Federal taxes. Since state tax benefits for years prior to 2000 were realized during the year 2000, no reserve is deemed necessary for the benefit of state tax losses of 2000 or 2001.

-11-

7. RENTALS UNDER OPERATING LEASES

Office equipment is leased under an operating lease that expires in June 2003. The following is a schedule of future minimum rental payments required under the operating lease:

Year Ending December 31,	Amount
-----------------------------	--------

Edgar Filing: AIRTRAX INC - Form 10QSB

2001 Remainder)	\$ 5,143
2002	6,857
2003	2,857

	\$ 14,857
	=====

There was no expense incurred for rent during the three months ended March 31, 2001. Rent expense amounted to \$1,143 in the 2000 period.

8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid for interest and income taxes is presented below:

	Three Months Ended March 31,	
	2001	2000

Interest	\$	\$ 65
Income taxes	-	200

There were no noncash investing activities during the 2001 period or the 2000 period. The following noncash financing activity occurred:

- a. Shares of common stock were issued for services during the 2000 periods these totaled 2,097 shares.
- b. Common stock totaling 57,272 shares was issued to satisfy the Company obligation under a merger agreement (see Note 9).

-12-

9. CONTINGENCIES

Pursuant to agreements relating to the merger transaction with MAS, the Company was required to issue 114,867 shares of common stock to former shareholders of MAS (MAS Common Stock) and make a cash payment to an affiliate of the majority shareholder of MAS in the amount of \$25,000. The Company asserted claims against the majority shareholder. The claims involved the amount of the MAS Common Stock and the cash due to the majority shareholder and affiliate under the merger agreement. This matter was settled during the first quarter of 2001 by the issuance of 57,272 share of common stock.

The Company had an employment agreement with its president, which expired December 31, 2000. The agreement provided, in part, for options permitting the president to acquire up to 50,000 shares of common stock per year, with portions of these options accumulating if not exercised. Options were exercised for 100,000 shares during the year 2000; these yielded proceeds of \$48,376. There were no options outstanding at December 31, 2000. A renewal of the president's contract is currently being discussed and a new contract is expected to be executed shortly.

Edgar Filing: AIRTRAX INC - Form 10QSB

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. Certain of the statements contained in this Quarterly Report on Form 10-QSB includes "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 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 the period ended December 31, 2000 for a broader discussion of such risks and uncertainties.

-13-

Results of Operations

Three Months Ended March 31, 2001 compared with Three Months Ended March 31, 2000.

For the period ended March 31, 2001 and comparable period in 1999, 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. 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 three months ended March 31, 2001 were \$35,967 compared with \$27,589 in revenues for the same period in 2000. Revenues for the 2001 period consisted of \$33,860 in contract revenues from the United States Navy and \$2,107 in sales of a non omni-directional product.

Cost of sales for the 2001 and 2000 periods were \$2,904 and \$5,899, respectively, representing parts and manufacturing costs for the non omni-directional product.

General and administrative expenses which includes administrative salaries and overhead for the three month period in 2001 totaled \$220,219 compared with \$193,195 for the same period in 2000. The increase of \$26,294 for the 2001 period is principally due to increases in prototype development costs of the omni-directional wheel. Net loss for the three month period in 2001 was \$176,725 compared with a net loss of \$172,299 for the prior period.

Liquidity and Capital Resources

Since its inception, the Company has financed its operations through the private placement of its common stock. During 2000, the Company raised \$430,858 net of offering costs from the private placement of 330,719 shares of its common stock. During the first quarter of 2001, the Company raised \$306,800 net of offering costs from the private placement of 204,533 shares of its common stock.

As of March 31, 2001, the Company's working capital was \$193,528.

Edgar Filing: AIRTRAX INC - Form 10QSB

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, which is projected to occur in the third quarter of 2001. 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. In order to facilitate additional funding, on December 15, 2000, a majority of shareholders approved the increase of its authorized capital stock of the Company to 10,000,000 common shares.

-14-

Fixed assets, net of accumulated depreciation, totaled \$72,544 on March 31, 2001. Fixed assets, net of accumulated depreciation, totaled \$67,219 on December 31, 2000.

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.

Exhibit 10(iv) Amended Agreement and Plan of Merger effective November 1, 1999 by and between MAS Acquisition IX Corp., an Indiana corporation, MAS Financial Corp, an Indiana corporation, MAS Capital Inc, an Indiana corporation, AirTrax Inc., a New Jersey corporation (filed herewith).

(b) Reports on Form 8-K.

None.

-15-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

Edgar Filing: AIRTRAX INC - Form 10QSB

registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIRTRAX, INC.

Date: May 17, 2001

/s/
Peter Amico
President and
Principal Financial Officer

-16-

Exhibit 10(iv)
AMENDED AGREEMENT AND PLAN OF MERGER

AMENDED
AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT is effective this 5th day of November 1999, by and between MAS Acquisition IX Corp., an Indiana corporation, MAS Financial Corp, an Indiana corporation, MAS Capital Inc, an Indiana corporation, and AirTrax Inc., a New Jersey corporation.

WITNESSETH:

WHEREAS, reference is hereby made to that certain Agreement and Plan of Merger dated the 5th day of November 1999, by and between MAS Acquisition IX Corp., a Indiana corporation ("MAS") and Airtrax Corporation, a New Jersey corporation ("AITX") ("Merger Agreement"),

WHEREAS, MAS Capital Inc. ("MAS Capital") is the majority shareholder of MAS as of the date of merger, and MAS Financial Corp. ("MAS Financial") is the wholly owned subsidiary of MAS Capital, Inc. and a party to the Merger Agreement,

WHEREAS, a dispute existed between the parties and pursuant to that certain Release in favor of AirTrax, Inc. and related parties executed by MAS Acquisition IX Corp, MAS Financial Corp and Aaron Tsai dated January 30, 2001 ("Release") the parties did resolve the dispute,

WHEREAS, as a result of the settlement of the dispute, the parties desire to amend and modify the Merger Agreement as set forth herein,

NOW THEREFORE, in consideration of the mutual covenants, terms and conditions contained herein, the parties do hereby covenant, warrant and agree as follows:

1. For purposes of this Agreement, defined terms herein shall have the meanings ascribed to in the Merger Agreement.
2. Section 2.08 of the Merger Agreement is amended and modified in its entirety to read as follow;

-1-

Section 2.08 EFFECT OF MERGER ON CAPITAL STOCK. At the Effective Time, by

Edgar Filing: AIRTRAX INC - Form 10QSB

virtue of the Merger and without any action on the part of any holder of any capital stock of the MAS and AITX:

(a). Conversion of MAS Shares. Each issued and outstanding MAS Share (other than any Dissenting Shares or shares held by AITX), whether or not certificates for such shares have been issued to such holder, shall be converted into 0.00674 of a share of duly authorized, validly issued, fully paid and non-assessable AITX Share ("Conversion Ratio"), provided that, the Conversion Ratio shall be subject to equitable adjustments in the event of any stock split, stock dividend, reverse stock split, or other change in the number of outstanding shares of MAS Shares, and provided further that.

(b). Rights of Dissenters. Each Dissenting Share shall be converted into the right to receive payment from the Surviving Corporation with respect thereto in accordance with IBCL, and

(c). AITX Owned Shares. Each MAS Share owned by AITX shall be canceled.

(d). No Fractional Shares. Notwithstanding anything contained herein to the contrary, no certificates or scrip for fractional shares of AITX shall be issued in the merger and no AITX common stock dividend, stock split or interest shall relate to any fractional security, and such fractional interests shall not entitle the owner thereof to any other rights of a security holder of AITX. In lieu of any such fractional shares, each MAS Shareholder who would otherwise have been entitled to a fractional share of AITX common stock will be entitled to receive such fraction multiplied by the price per share of Two Dollars and Fifty Cents (\$2.50).

(e). Cash Payment. In addition to (d) above, AITX shall not be required to issue AITX Shares to any MAS Shareholder for an amount less than (10) shares, and each such MAS Shareholder in lieu of receiving AITX Shares shall receive from AITX a cash value for such shares equal to Two Dollars and Fifty Cents (\$2.50) per share.

MAS Financial Corp will provide AITX with a copy of a shareholder list reflecting the shares of AITX to be issued to the MAS Shareholders in accordance with the above. AITX shall send cash or check payment directly to each MAS Shareholder within 30 days and will notify MAS Financial in writing confirming total amount sent to each shareholder.

-2-

3. MAS Capital and MAS Financial hereby consent and agree to the amendments and modifications contained herein above. MAS Capital hereby accepts 55,582 shares of AITX as full and complete settlement of all of its claims it may have against AITX and its officers, directors and affiliated parties in connection with the Merger Agreement, as amended herein and the Consulting Agreement dated October 29, 1999 by and between AirTrax, Inc. and MAS Financial Corp.

4. Except as provided herein, the terms and conditions of the Merger Agreement is binding and in full force and effect. This agreement supersedes all prior and contemporaneous agreements among the parties regarding the subject matter herein, except that the Release is binding and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

MAS Acquisition IX Corp.

By /s/ Aaron Tsai

Edgar Filing: AIRTRAX INC - Form 10QSB

Aaron Tsai, President

MAS Financial Corp.

By /s/ Aaron Tsai

Aaron Tsai, President

MAS Capital Inc.

By /s/ Aaron Tsai

Aaron Tsai, President

AirTrax, Inc.

By /s/ Aaron Tsai

Peter Amico, Chief Executive Officer