AIRTRAX INC
Form 10KSB
April 15, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-KSB

(Mark One)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934 for the period ended December 31, 2002

[ ] 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 Incorporation)   (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.

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

Check if there is no disclosure of delinquent filers in response to Item

405 of Regulation S-B is not contained in this form, and no disclosure

will be contained, to the best of registrant's knowledge, in definitive

proxy or information statements incorporated by reference in Part II of

this Form 10-KSB or any amendment to this Form 10-KSB. [x]

State issuer's revenues for the most recent fiscal year. $551,122

As of March 31, 2003, the aggregate market value of the voting and non-voting common equity held by non-affiliates as approximately $4,604,126. This calculation is based upon the average bid price of $1.10 and asked price of $1.15 of the common stock on such date.

The number of shares issued and outstanding of issuer's common stock,

no par value, as of December 31, 2002 was 6,247,730.

DOCUMENTS INCORPORATED BY REFERENCE

None.

PART I

Item 1. Description of Business.

INTRODUCTION.

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

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

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

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

The Company's maintains its administrative office at 870B Central Avenue, Hammonton, New Jersey 08037, its telephone number is (609) 567-7800, and its web-site is www.airtrax.com.

THE COMPANY.

OMNI-DIRECTIONAL TECHNOLOGY.

Prior History.

Omni directional vehicle technology has been the subject of research and development by universities, the Department of Defense, and industry for over 25 years. A Swedish inventor patented an early stage omni-directional wheel. Thereafter, the technology was purchased by the United States Navy and was advanced at the Naval Surface Warfare Center. The US Navy held the patent until its expiration in 1990. In 1996, the Navy transferred this technology to the Company for commercialization through a Cooperative Research and Development Agreement (CRADA).

Technology Description.

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

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

On a four-wheel omni-directional vehicle employing the Company's technology, each wheel has a separate electric motor, and the unit is capable of traveling in any direction. The motion of the vehicle is controlled by coordinating all four wheels through a microprocessor that receives input from an operator-controlled joystick. The joystick controls all vehicle movement (starting, steering, and stopping). The framework of the Company's omni-directional forklift consists primarily of a steel frame mobilized with four omni-directional wheels. The electric motor for each wheel turns its own wheel hub. Each wheel hub is encircled with multiple tapered rollers that are offset 45 degrees. The tapered rollers, covered with polyurethane, are extremely durable. By independently controlling the rotation of each wheel, the vehicle has the capability of traveling in any direction. The technology allows the vehicle to move forward, laterally, diagonally, or completely rotate within its own footprint, thereby allowing it to move into confined spaces without difficulty. The navigational options of an omni-directional vehicle are virtually limitless. The omni-directional wheel can be manufactured in almost any size depending upon the application. For instance, management believes the wheel can be used on miniature vehicles or massive load-carrying vehicles.

Presently, the Company has constructed four pilot forklifts which incorporate the Company s omni-directional technology.

EXISTING AND PROPOSED PRODUCTS.

ATX Omni-Directional Forklift.

The Company anticipates that its omni-directional ATX forklift will be available with rated lift capacities ranging from 3000 through 6000 pounds.

ATX Forklift. The Company s ATX forklift will featuring its revolutionary omni-directional technology. As described above, conventional steering racks and foot petals are non-existent allowing impediment free ingress and egress. This forklift will deliver unequaled maneuverability providing significantly improved operating efficiencies in the materials handling industry. This model is expected to retail at prices similar to high end, comparably sized standard forklifts. The Company expects the retail price of the ATX forklift (3000 pound capacity rated) to be less that $30,000 per unit. The retail price of a similar rated, standard (non-omni-directional) forklift ranges from $16,000 to $31,000 per unit. Other specialty forklifts, that are multi-directional sell for $42,000 and greater, and vehicles considered very narrow aisle, are priced at approximately $75,000 and greater per unit. The Company believes that, due to its unique features, the omni-directional forklift will support a price point slightly higher than the average selling price of a conventional forklift.

Omni-Directional Aerial Work Platform.

The Company has constructed a pilot version of an aerial work platform using the Company s omni-directional technology. The product contains features presently unavailable on conventional aerial work platforms. For example, similar to the Company s fork-lift, the work platform movement is controlled by a joystick. Movement to a particular spot or location at a job site can be accomplished easily due to the omni-directional technology, thereby eliminating the back and forth positioning typically associated with conventional platforms. Company designed control systems allow the operator to move at very regulated acceleration and speed, virtually eliminating operator error. The machine can climb over obstacles that would impede other machines. The Company believes that, similar to its forklift, the improved functionality of the work platform will result in increased productivity at the job-site. The Company will require additional funds to complete additional design work and to launch its production. Any efforts on the work platform will be delayed until the Company has launched its ATX forklift. The Company cannot predict whether it will be able to successfully develop this product.

Omni-directional Wheelchair.

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

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

Military Products.

During 1999, the Company was awarded a Phase I research contract under the Department of Defense's Small Business Innovation Research program (SBIR) to develop an omni-directional Multiple Purpose Mobility Platform (MP2). Under the Phase I base contract, the Company studied the application of the omni-directional technology for military use and was supervised by the Naval Air Warfare Center Aircraft Division in Lakehurst, New Jersey. The contemplated use includes the installation of jet engines on military aircraft and the transportation of munitions and other military goods. The Company completed the Phase I base contract in 1999 and was subsequently awarded a Phase I option from NAWC to further define the uses of the MP2. In July 2000, the Company was awarded a Phase II research contract under the SBIR program. Under the Phase II contract, the Company is studying the feasibility of the MP2 for military purposes, and will culminate with the construction of one or more proto-type devices. This contract (with the option) will not exceed 42 months projects contract revenues ranging from $750,000 to $1 million. Through December 31, 2002, the Company has received approximately $700,000 in revenues from the Phase II contract, and has completed the central review design of the MP2. A completed proto-type MP2 is expected to be delivered to the US Navy during the second half of 2003.. The Company has been advised by the US Navy that a non-SBIR sponsor (within a segment of the US Navy) for the MP2 program must be identified before a Phase II option is exercised and a Phase III contract is awarded. Although management believes the underlying omni-directional technology for the proposed MP2 has significant potential for both commercial and military applications, the Company cannot predict whether any appreciable sales beyond the Phase II contract will result from the SBIR program.

During 2002, a team consisting of General Dynamics Armament Systems of Burlington, Vermont, Lockheed Martin and the Company along with several other contractors was selected for a contract award by the U.S. Office of Naval Research. The contract relates to a semi-autonomous omni-directional, material-handling robot that can move cargo from the topside of a Navy vessel to spaces within the ship with minimal human oversight. The Company received the subcontract from General Dynamics during April 2002. The contract was estimated to be approximately $3.3 million, consisting of base award of approximately $300,000, with the balance to be awarded at the option of the US Navy. As of December 31, 2002, the prime contract has been completed, for which the Company received the sum of $55,000 for its performance; however, the US Navy has not exercised its option for the balance of the contract. The Company cannot predict whether the US Navy will exercise the option for the balance of the contract or whether the Company will receive any additional funds from the contract.

Other Products.

Since 1995, the Company and its predecessor have manufactured and sold a non omni-directional helicopter ground-handling device. Sales to date have been limited, and management believes that future sales will be insignificant. In addition, the Company has a patent on an omni-directional ground-handling device, however, it does not expect to develop this product at this time.

During 2000, the Company completed a feasibility study for a hybrid power supply module for forklifts and other battery powered mobility machines. It is designed to replace a standard battery enabling operation on either gas or battery power. The module will consist of a generator coupled to a specially designed battery with micro-processor controls. Its unique hybrid feature will enable a forklift to be powered indoors by battery without noise or exhaust pollution, and by gas in non-pollution sensitive areas. The battery is designed to re-charge during fossil fuel use thereby eliminating re-charging downtime customarily experienced by battery-powered forklifts. The Company has filed a patent application for the unique features of the hybrid power module. The further development of this product will be subject to available funds necessary to complete an engineering design of the module; consequently, the Company cannot predict whether it will be able to successfully develop this product.

CURRENT OPERATIONS.

Since 1995, substantially all of the Company's resources and operations have directed towards the development of the omni-directional wheel and related components for forklift and other material handling applications. Many of its components, including the unique shaped wheels, motors, and frames, have been specially designed by the Company and specially manufactured. Four pilot models of the commercial omni-directional forklift are currently operational. Additional internal testing and component refinement will be required prior to commercial production and sale. Testing by Underwriters Laboratory (UL), and by the Company and final testing to meet the stability standards of the American National Standards Institute (ANSI B56) also will be required. The Company anticipates that required testing will occur within 90 days from the completion of the commercial production vehicles that will be used for the testing, as the above testing must be performed on vehicles manufactured at the final assembly facility. However, the establishment of production and commercial sale, which includes the developing its dealer network and product advertising, of its ATX forklift will be contingent upon the receipt of funds for working capital as described in Management's Discussion and Analysis herein. Although management does not anticipate any material functionality defects during the final test period, the results of additional testing and component refinement may delay the initiation of product sales. Initial sales of the ATX forklift will be limited to 3,000 pound capacity rated models. Delivery of initial orders is anticipated to occur within 12 to 16 weeks from placement.

MANUFACTURING AND SUPPLIERS.

As of December 31, 2002, the Company has not entered into a formal agreement for assembly and initial rollout of its forklift. On April 8, 2003, the Company announced that the first frames for its ATX forklift previously ordered from Crane and Machinery, Inc., Bridgeview, Illinois are scheduled for completion early May 2003. Crane & Machinery will provide components, such as the frames and overhead guards, as well as assemble the ATX forklift at their Illinois facility in accordance with Airtrax specifications. The parties have not entered into a formal agreement; rather, they will work under the terms of written purchase orders. Parts and assemblies for the first commercial models are being procured from other vendors. A pilot production run of forklifts will commence at the Illinois facility after the frames and modifications are completed. The pilot run will refine the assembly line, help develop procedures, and incorporate inventory control and quality assurance. Management anticipates that the pilot run of forklifts should be completed in mid 2003. The Company plans to create the framework for rapidly scalable production capacity, initially sized for nominal monthly production but capable of ramping up for anticipated demand before year's end. The Company will be required to raise additional funds in order to complete this pilot production run, as well as to scale up its forklift production (See Management s Discussions and Analysis for a discussion of the necessary funds to commence initial production).

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

The Company considers the specially designed and manufactured products proprietary, and has entered into exclusive contractual agreements with certain suppliers to protect the proprietary nature of these products. These arrangements prohibit the supplier from producing the same or similar products for other companies. In addition, while the Company maintains single sources for the over the counter components, it believes that other sources are available if necessary.

DISTRIBUTION AND PRODUCT MARKETING.

The Company intends to establish a national and international dealer network to sell its fork-lift product line to existing equipment dealers. However, the Company may directly to select national and international accounts, such as Home Depot and Lowe s.

During the past two years, in anticipation of commercial production, the Company solicited interest from targeted dealers nationwide, and in certain instances, received contracts from a number of these dealers. Given the delay in the establishment of commercial production, the Company will be required to re-establish or establish arrangements with these and other dealers, as the case may be. Targeted dealers will consist of selected premier forklift dealers, currently selling other forklift products. The dealer network will consist of dealers who have substantial market share in the US, with a history of being able to sell and repair forklifts and/or related material handling solutions. Most of the targeted dealers are significant sized entities, numerous having annual sales in excess of $100 million. Dealer solicitation will occur upon the commencement of a commercial production schedule.

Each dealer will be granted a designated territory, and will be required to purchase a number of forklifts commensurate with the size of its territory. The Company expects to provide a sales incentive to dealers through an aggressive pricing structure. Typically, a dealer will earn a commission ranging from $500 to $1,000 on the sale of a competitive fork-lift. The Company s pricing structure will enable the dealer to receive commissions from $3,500 to $6,000 per unit.

The Company intends to use trade shows and print and television media to advertise and promote its omni-directional products. Print media will include advertisements in national and international publications such major material equipment handling magazines, and direct mailings to targeted distributors and end-users. Heavy equipment is rarely, if at all, advertised on television. However, the Company believes that television will provide an effective media for its product, due to its unique attributes. The Company believes that due to the current economic conditions, it will be able to capitalize on favorable advertising pricing. The Company also expects to be an exhibitor at industry trade shows for time to time, including the bi-annual ProMat show located in Chicago, Illinois.

FACILITIES.

The Company maintains its administrative offices at 870B Central Avenue, Hammonton, New Jersey 08361 on premises owned by the Company s President. As of December 31, 2002, the arrangement between the parties has been rent-free. In addition, the Company maintains limited offices at H&R Industries, Inc. ("H&R Industries"), located at 100 Park Avenue, Warminster, Pennsylvania 18974. H&R Industries provides contract manufacturing and assembly services to the Company. As of December 31, 2002, the arrangement between the parties has been rent-free. Effective February 1, 2003, the Company has agreed to pay H&R Industries a rental fee of $3,000 per month and has the option to pay in cash or in the form of common stock.

MARKETS

Forklifts.

The Company's initial market focus will be directed to the forklift market. The Company believes the commercial version of the omni-directional forklift will revolutionize the materials handling and warehousing industries creating potential markets globally. Industry data indicates that during 1998 approximately 174,000 and 550,000 units were sold in the United States and worldwide, respectively (Modern Materials Handling). Based upon an average per unit sale price of $28,500 (Company estimate), the total market in the United States would approximate $5 billion in 1998. This amount represents sales of a broad range of vehicles with price ranges from $18,000 to $27,500 for a standard 3000 pound rated vehicle to $75,000 or greater for specialty narrow aisle or side loaders. Of the total market, management expects to compete with mid-range electrical and gas powered riders, and some specialty narrow aisle or side loaders.

Man Lifts.

Man lifts are used in the construction and warehousing industries, and are ideally suited for omni directional technology. According to data provided by the United States Department of Commerce, this market consists of approximately $1.2 billion in annual sales. Man lifts range in size from single user lifts to large off road machines. Of the total market, the Company expects to compete with a range of indoor man lifts.

COMPETITION

The Company expects to confront competition from existing products, such as standard and very narrow aisle (VNA) forklifts, and from competing technologies. Competition with standard forklifts, which retails from $16,000 to $31,000, will be on the basis of utility, price, and reliability. The Company believes that it will compete favorably with a standard forklift for reliability, and that a purchase decision will be based upon weighing the operational advantages of the Company s products against its higher purchase price. VNA and sideloader forklifts retail at $75,000 or greater. While the Company s ATX forklift cannot be considered very narrow aisle , it can perform narrow aisle functions at a significantly less cost. The Company also is aware of multi-directional forklifts now being offered by other manufacturers that retail from $42,000 and higher for the standard version. These newer products have improved operational features, however, they are unable to travel in all directions, and hence are not omni-directional. These machines have to stop, turn all four wheels, and then proceed to drive in the sideward direction. Despite these improved operational features, management believes these manufacturers have adhered to older conventional methods and have added a substantial amount of parts to their forklifts to achieve improved functionality, which contrasts with the design and features of the Company s product as discussed previously herein. Therefore to that extent, the Company believes that it maintains a competitive advantage to these newer products.

The Company recognizes that many of these manufacturers are subsidiaries of major national and international equipment companies, and have significantly greater financial, engineering, marketing, distribution, and other resources than the Company. In addition, the patent on omni-directional technology expired in 1990. Although the Company has received patent protection for certain aspects of its technology, no assurances can be given that such patent protection will effectively thwart competition.

PATENTS AND PROPRIETARY RIGHTS.

In January 2002, the Company received a US patents (#6,340,065 and #6,394,203) encompassing certain aspects of the omni-directional wheel with features specific to the forklift. The Company also has two divisional patent applications pending relating to other aspects of its technology. The Company expects to make future patent applications relating to various other aspects of its omni-directional technology. The Company also has filed a patent application for its power module. The Company also has made a preliminary filing for foreign patent protection comporting with the patent application filed in the United States. At this time, no foreign patents have been issued for any of the Company s technology. In December 1997, the Company was awarded a patent for an omni-directional helicopter ground-handling device.

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

PRODUCT LIABILITY.

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

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

EMPLOYEES.

As of December 31, 2002, the Company has five employees which includes its President and Executive Vice President, and engages consultants from time to time. The Company has no collective bargaining agreements with its employees and believes its relations with its employees are good.

Item 2. Description of Property.

The Company maintains its administrative offices at 870B Central Avenue, Hammonton, New Jersey 08361 on premises owned by the Company s President. As of December 31, 2002, the arrangement between the parties has been rent-free. In addition, the Company maintains limited offices at H&R Industries, Inc. ("H&R Industries"), located at 100 Park Avenue, Warminster, Pennsylvania 18974. H&R Industries provides contract manufacturing and assembly services to the Company. As of December 31, 2002, the arrangement between the parties has been rent-free. Effective February 1, 2003, the Company has agreed to pay H&R Industries a rental fee of $3,000 per month and has the option to pay in cash or in the form of common stock.

Item 3. Legal Proceedings.

On August 16, 2001, a supplier filed a complaint against the Company in Superior Court of New Jersey, Cumberland County alleging non payment of goods delivered to the Company. On January 3, 2002, a judgment was entered into against the Company in this matter in the amount of approximately $35,000. The parties have agreed to settle the matter with the Company required to make a minimum regular payments on the account. As of December 31, 2002, the amount owed the plaintiff was $11,863.33.

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

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

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

None

PART II

Item 5. Market Price of and Dividends on the Registrant's Common

Equity and Related Stockholder Matters.

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

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

2000	Low Bid	High Bid
1st Quarter	$2.25	$2.25
2nd Quarter	1.50	2.50
3rd Quarter	1.50	1.875
4th Quarter	1.4375	1.75

2001	Low Bid	High Bid
1st Quarter	$1.63	$2.75
2nd Quarter	1.90	3.38
3rd Quarter	2.25	1.60
4th Quarter	0.65	1.90

2002

Low Bid

High Bid

1st Quarter

$0.75

$3.00

2nd Quarter

0.75

2.00

3rd Quarter

0.90

2.25

4th Quarter

1.01

2.00

As of December 31, 2002, there are 849 shareholders of record of the Company's common stock. Although there are no restrictions on the Company's ability to declare or pay dividends, the Company has not declared or paid any dividends since its inception' and does not anticipate paying dividends in the future.

The Company s Equity Compensation Plan Information is set forth below.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Plan category	**(a)**	**(b)**	**(c)**
Equity compensation plans approved by security holders (1)	-0-	N/A	-0-
Equity compensation plans not approved by security holders (2)	75,000(1)	Not Determinable(2)	50,000(3)
Total	75,000(1)	Not determinable(2)	50,000(3)

(1). The amount reflects 50,000 shares of common stock of the Company issuable to Mr. Peter Amico under his employment agreement, the term of which is one year expiring June 30, 2003, and 25,000 shares of common stock of the Company issuable to Mr. Barney Harris under his employment agreement, the term of which is five years expiring July 14, 2004.

(2). The option for 50,000 shares of common stock of the Company held by Mr. Amico under his employment agreement are exercisable for a total consideration of $0.01. The annual options for 25,000 shares of common stock of the Company held by Mr. Harris are exercisable as follows; 2,500 shares are exercisable for a total consideration of $1.00, 10,000 shares are exercisable at 35% of the lowest price paid for the stock in the 30 day period preceding exercise, and 12,500 shares are exercisable at 17.5% of the lowest price paid for the stock in the 30 day period preceding exercise. The options of Mr. Harris have not been exercised as of December 31, 2002 and the prices are not determinable.

(3). The amount reflects shares of common stock issuable to Mr. Barney Harris for the remaining two years of his employment agreement at 25,000 per year, and does not include any additional shares of common stock allocable to Mr. Amico s contract, the term of which is one year expiring June 30, 2003.

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

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

Results of Operations

Fiscal year end 2002 compared with fiscal year end 2001.

The Company has been a development stage company for the 2001 and 2000 periods and has not engaged in full scale operations for the periods indicated. The limited revenues for the periods have been derived from the sales of a non-omni-directional product and from contracts with the United States Navy that relate to the research and potential application of omni-directional technology for military use. Consequently, management believes that the year to year comparisons described below are not indicative of future year to year comparative results.

Revenues for fiscal 2002 were $551,122 representing an increase of $330,835 from revenues of $220,287 for the 2001 period. Revenues for the 2002 period consisted of $5,686 in sales of a non omni-directional parts, $551,122 in contract revenues from the United States Navy, and $54,778 in sub-contract revenue. Revenues for the 2001 period consisted of $2,096 in sales of a non omni-directional product and $218,191 in contract revenues from the United States Navy.

Cost of sales for 2002 was $207,665 which reflects an increase of $99,753 from $107,912 in 2001. Cost of sales consists of principally of salaries and material incurred in connection with the performance of the contract with the US Navy and sub-contract work.

Operating and administrative expenses which includes administrative salaries, depreciation and overhead for the 2002 period totaled $1,014,406 which represents an increase of $47,511 from $966,895 incurred in 2001. The increase is due primarily to consulting fees paid to various third parties in the form of common stock and development costs for its omni-directional technology. Interest expense payable to third party suppliers totaled $33,174 for the 2002 period, representing an increase of $4,966 from $28,208 for the 2001 period. In 2002, the Company received $4,215 in other income, which contrasts with $50,925 for the prior period. The amount in 2001 reflects a non-refundable deposit in the amount of $50,000 received from a prospective manufacturer which was forfeited by the manufacturer, with the balance allocated to interest income. In 2002, the Company received $59,292 from the sale of its net operating losses and tax credits (as described further in Liquidity and Capital Resources below). This amount contrasts with $64,901 received during 2001.

The accumulated loss for 2002 was $640,616 or a loss of $0.12 per share contrasted with a loss of $831,803 or a loss of $0.16 per share for 2001.

Liquidity and Capital Resources

Since its inception, the Company has financed its operations through the private placement of its common stock. During 1999 and 2000, the Company has raised net of offering costs, $872,268 and $430,858, respectively. During 2002, and 2001, the Company raised net of offering costs $396,630 and $348,600, respectively.

As of December 31, 2002, the Company's working capital deficit was $83,168.

During 2000, the Company was approved by the State of New Jersey for its technology tax transfer program pursuant to which the Company could sell its net operating losses and research and development credits as calculated under state law. During 2000, the Company received $122,561 for losses and credits that accrued through December 31, 1999. During 2002 and 2001, the Company received $59,292 and $64,901, respectively from the sale of its losses and credits (see Note 6 to financial statements).

The Company anticipates that its cash requirements for the foreseeable future will be significant. In particular, management expects substantial expenditures for inventory, product production, and advertising in anticipation of the rollout of its omni-directional forklift. The Company is seeking to commence an initial production run of its ATX forklift in the second or third quarter of 2003. Funds required to initiate this production run are estimated to be $1,000,000. Of the total amount, $600,000 is allocated for manufacturing and parts inventory of approximately 20 forklifts, $120,000 for tooling costs, $100,000 for testing costs, with the balance allocated as working capital. Working capital expenditures represent general operating expenditures, including payments of existing payables and salaries of employees. The Company expects to recognize lower per unit manufacturing and part costs due to volume discounts, as well as lower per unit shipping costs as it transitions from the initial production run to full-scale production. The Company intends to fund this initial production run, as well as its subsequent 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 this initial production run or its ongoing operations. If the Company is unable to obtain sufficient funds in the near future, such event will delay the rollout of its product and likely will have a material adverse impact on the Company and its business prospects.

Fixed assets, net of accumulated depreciation, totaled $73,839 on December 31, 2002.

Disclosure Regarding Forward Looking Statements and Cautionary Statements.

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

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

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

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

LACK OF A DETERMINED PRODUCT PRICES AND IMPACT ON PROFIT MARGINS. The Company is assessing present and projected component pricing in order to establish a pricing policy for the ATX forklifts. The Company has not completed its assessment as current prices for certain forklift components reflect special development charges which are expected to be reduced as order volume for such components increase and as manufacturing efficiencies improve. The Company intends to price its forklifts so as to maximize sales yet provide sufficient operating margins. Given the uniqueness of its product, the Company is uncertain of its pricing sensitivity in the market. Consequently, the pricing policy for its forklifts may be subject to change, and actual sales or operating margins may be less than projected.

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

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

PROTECTION OF INTELLECTUAL PROPERTY. The success of the Company will be dependent, in part, upon the protection of its proprietary omni-directional technology from competitive use. The patent for the omni-directional wheel expired in 1990. The Company, however, has received a patent protection of certain other aspects of its omni-directional wheel, and for features specific to its forklift. In addition to the patent applications, the Company relies on a combination of trade secrets, nondisclosure agreements and other contractual provisions to protect its intellectual property rights. Nevertheless, these measures may be inadequate to safeguard the Company s underlying technology. If these measures do not protect the intellectual property rights, third parties could use the Company s technology, and its ability to compete in the market would be reduced significantly. In addition, if the sale of the Company s product extends to foreign countries, the Company may not be able to effectively protect its intellectual property rights in such foreign countries.

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

LACK OF ESTABLISHED DISTRIBUTION CHANNELS. The Company does not have an established channel of distribution for its forklift product line. It intends on establishing a network of designated dealers throughout the United States at such time as it receives working capital funds sufficient to commence operations. Although the Company has received indications of interest from a number of equipment distributors, to date, such indications have been limited. The Company can not predict whether it will be successful in establishing its intended dealer network.

FEATURES OF PREFERRED STOCK. The Company has 275,000 shares of preferred stock outstanding that are held by an affiliate of the President. The stock carries a 10 for 1 voting right and a stated value of $5.00 per share. The preferred stock carries a liquidation preference equal to the stated value and an annual, cumulative dividend of five percent, in preference to the common shareholders. In addition, the holder may elect to receive the dividend in the form of common stock at a deep discount to the market price (see Item 12 Certain Relationships and Related Transactions). In addition, 225,000 shares of preferred stock remain authorized and unissued, however, they are subject to rights, privileges and preferences determined by the Board of Directors. These shares of preferred stock, if and when issued, could create dilution to existing shareholders, or impose financial requirements on he Company.

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

CONTROL EXERCISED BY MANAGEMENT. As of March 31, 2002, the existing officers and directors will control approximately 41.8% of the shareholder votes. This control by management is in the form of common stock and preferred stock that has 10 for 1 voting rights. Consequently, management will control the vote on all matters brought before shareholders, and holders of common stock may have no power in corporate decisions usually brought before shareholders.

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

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

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

Item 7. Financial Statements.

The Financial Statements that constitute Item 7 of this Annual Report on Form 10-KSB are included in Item 13 below.

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

None.

PART III

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

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

OFFICERS AND DIRECTORS

Name	Age	Title
Peter Amico	59	President and Chairman
D. Barney Harris	42	Executive Vice President and Director
John Watt Jr.	65	Secretary and Director
Frank A. Basile, Esq.	66	Director
James Hudson	58	Director
William Hungerville	68	Director

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

D. Barney Harris - Mr. Harris has been a Director of the Company since December 1998 and a Vice President since July 1999. From 1997 to July 1999, Mr. Harris was employed by UTD, Inc. Manassas, Virginia. Prior to 1997, Mr. Harris was employed by EG&G WASC, Inc., Gaithersburg, Maryland, as a Senior Engineer and Manager of the Ocean Systems Department where he was responsible for the activities of 45 scientists, engineers and technicians.

During this period while performing contract services for the US Navy, he was principally responsible for the design of the omni-directional wheel presently used by the Company. Mr. Harris received his B.S.M.E. from the United States Merchants Marine Academy in 1982.

John Watt Jr. - Mr. Watt has been Secretary and a Director of the Company since August 1998. Since March 2001, Mr. Watt has retired from full time employment and currently is performing limited consulting services to the Company. From 1990 to the March 2001, he was the President of Watt-Bollard Associates, Inc., a manufacturers' representative sales agency located in Fort Washington, Pennsylvania.

James Hudson - Mr. Hudson has been a Director of the Company since May 1998. From 1980 to present, he has been President of Grammer, Dempsey & Hudson, Inc., a steel distributor located in Newark, New Jersey.

Frank A. Basile, Esq. - Mr. Basile has been a Director of the Company since April 1999. Mr. Basile has been a practicing attorney since 1963 and is president of the law firm Basile & Testa, Vineland, New Jersey. The firm was one of seven law firms selected by the State of New Jersey to represent the State in a class action lawsuit against the tobacco industry.

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

Item 10. Executive Compensation.

The compensation for all directors and officers individually for services rendered to the Company for the fiscal years ended December 31, 2002, 2001 and 2000 are set forth in the following table:

SUMMARY COMPENSATION

Long Term

Annual Compensation Compensation Awards (5)

Name and

Principal Position	Year	Salary ($)	Bonus ($)	Other ($)	Securities underlying Options #
Peter Amico(1)	2002	$84,135	-0-	$1,000	50,000
Chairman and	2001	$54,454	-0-	-0-	50,000
President	2000	$65,538	-0-	-0-	50,000

In 2002, $84,135 was paid as salary to Mr. Amico and $3,365 balance deferred for future payment. In 2001, $54,454 was paid as salary to Mr. Amico with $20,546 deferred for future payment. In 2000, $65,538 was paid as salary to Mr. Amico with $9,462 deferred for future payment. In 2002, Mr. Amico receive an automobile usage valued at $1,000.

The Company and Mr. Amico are parties to an employment agreements governing Mr. Amico's employment with the Company, under which Mr. Amico received annual stock options not to exceed 50,000 shares of common stock of the Company (see Employment Agreements below)

Employment Agreements.

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

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

Under the New Employment Agreement, Mr. Amico receives an annual salary of $100,000, and receives an option to acquire 50,000 shares of common stock of the Company for a total exercise price of $0.01. The Company may terminate the agreement without cause upon 14 days' written notice to the Employee. If the Company requests, the Employee will continue to perform his duties and be paid his regular salary up to the date of termination. Severance pay will not be earned nor payable by the Company until one year of steady employment has elapsed. After the one year of continuous employment, the Company will pay the Employee on the date of termination a severance allowance of 250,000 shares of common stock of the Company and $100,000. The Employee may terminate the employment, without cause, upon 30 days' written notice to the Company.

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

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

Option Grants in Fiscal Year 2002

Name	Options Granted	% of Total Options to Employees in Fiscal Year	Exercise or Base Price ($/sh)	Market Price On Date of Grant	Expiration Date
Peter Amico President And Chairman	50,000	75%	(1)	$2.20(1)	None(1)

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

Aggregate Option Exercises

In Last Fiscal Year and FY-End Option Values

Name	Shares Acquired On Exercise (#)	Value Realized	# of Securities Unexercised Options/SARs at FY-End(#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at FY-End($)at Exercisable/ Unexercisable(1)
Peter Amico President and Chairman	-0-	$-0-	180,000(1)/$0	$212,298(1)/$0

(1). Pursuant to his employment agreements, Mr. Amico had outstanding options to acquire a total of 180,000 shares of common stock of the Company as of December 31, 2002. Of these options, 20,000 shares are exercisable at a total price of $2.00, 50,000 shares are exercisable at $0.315 per share, 60,000 shares are exercisable at a price of $0.1575 per share, and 50,000 shares were exercised at a total price of $0.01. The value of the unexercised options were calculated using the closing price of $1.25 as of December 31, 2002.

Compensation of Directors.

The Company's directors are compensated at the rate of $250 per meeting and are reimbursed for expenses incurred by them in connection with the Company's business. During 2002 and 2001, each director, other than Mr. Amico, received an annual stock option to purchase 5,000 shares of common stock exercisable at $0.50 per share. During 2003, each director will receive a stock grant of 10,000 shares of the Company s common stock.

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

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

The following table identifies as of March 31, 2003 information regarding the current directors and executive officers of the Company and those persons or entities who beneficially own more than 5% of its common stock and Preferred Stock of the Company:

Percentage of

Percentage of

Common Stock

Preferred

Common Stock Preferred Stock

Beneficially

Voting Stock

Beneficially

Beneficially

Name(1)

Owned(2)

Rights(3)

Owned(2)

Owned(3)

Arcon Corp.

2,216,360(4)

2,750,000(5)

32.1%

100%

Peter Amico

President and

Chairman

2,216,360(4)

2,750,000(5)

32.1%

100%

D. Barney Harris

191,301(6)

-0-

2.8

-0-

Vice President and

Director

John Watt Jr.

149,000(7)

-0-

2.2%

-0-

Secretary and

Director

Frank Basile

137,046(8)

-0-

2%

-0-

Director

James Hudson

75,800(9)

-0-

1.1%

-0-

Director

William Hungerville

157,650(10)

-0-

2.3%

-0-

All directors

2,927,581(11)

2,750,000

41.8%

100%

and executive

officers as a

group (6 persons)

---

(1). The address of each beneficial owner is the address of the Company.

(2). Based on 6,909,713 shares of common stock outstanding as of March 31, 2003, except that shares of common stock underlying options or warrants exercisable within 60 days of the date hereof are deemed to be outstanding for purposes of calculating the beneficial ownership of securities of the holder of such options or warrants.

(3). Based upon 275,000 outstanding shares of preferred stock after giving effect to the 10 for 1 voting rights.

(4). Represents 1,630,623 shares held by Arcon Corp., a corporation wholly owned by Mr. Amico (Arcon), 305,737 shares of common stock held by a third party as collateral for a loan, and 280,000 shares held by Mr. Amico individually, however, excludes common stock that may be issued to Arcon as a dividend on the preferred stock (See Certain Transactions).

(5). Represents shares held by Arcon.

(6). Represents 151,301 shares of common stock held individually, 25,000 shares of common stock issuable under his employment agreement, 5,000 shares of common stock issuable upon exercise of director's options for 2002, and 10,000 shares of common stock issuable to the Company s directors during 2003.

(7). Represents 34,000 shares of common stock held individually, 100,000 shares held jointly with his spouse, 5,000 shares issuable upon exercise of director s options for 2002, and 10,000 shares of common stock issuable to the Company s directors during 2003.

(8). Represents 90,000 shares held individually, 12,046 shares held by an affiliate, 10,000 shares held by his spouse, 15,000 shares issuable upon exercise of director's options for years 2000, 2001, and 2002, and 10,000 shares of common stock issuable to the Company s directors during 2003.

(9). Represents 11,300 shares held individually, 44,500 shares held by an affiliate, 10,000 shares issuable upon exercise of director's options for 2001 and 2002, and, and 10,000 shares of common stock issuable to the Company s directors during 2003.

(10). Represents 146,950 shares of common stock held individually, 700 shares held by his spouse and 10,000 shares of common stock issuable to the Company s directors during 2003.

(11). Includes (4),(6),(7),(8),(9), and (10).

Item 12. Certain Relationships and Related Transactions.

Arcon Cop., a corporation wholly owned by the Company's chairman and president, owns 275,000 shares of preferred stock of the Company. Each share of Preferred Stock is entitled to 10 voting rights on all matters on which shareholders are entitled to vote. The preferred stock has a stated value per share of $5.00 and an annual dividend per share equal to 5% of the stated value. The annual cash dividend is $68,750. Dividends are cumulative and the holder has a right during any quarter to waive any cash dividend and receive the dividend in the form of common stock at a price per share equal to 30% of the lowest private offering or trading price of the common stock. The preferred stock is not convertible into common stock, however, has a preference over common stockholders upon liquidation equal to the stated value per share. During 2000, Arcon waived cash dividends in the amount of $56,751 and received 95,558 shares of common stock of the Company, and at December 31, 2000, $11,999 in dividends remained unpaid. Dividends accrued and were unpaid during fiscal years 2001 and 2002. During March 2003, Arcon elected to waive the cash payment of all accrued and unpaid dividends through December 31, 2001 in the amount of $80, 749 and received 246,731 shares of common stock of the Company. Accrued dividends for fiscal 2002 in the amount of $68,750 are unpaid and outstanding as of March 2003, and could result in the issuance of 247,945 shares of common stock of the Company to Arcon Corp.

Arcon Corp. has made loans from time to time to the Company in varying amounts. As of December 31, 2002, a loan in the amount of $70,000 is outstanding. The loan is due on demand and bears interest at 12%. In July 2000, Arcon Corp. purchased 33,334 shares of common stock at a price per share of $1.50 for a total consideration of $50,001.

Mrs. Patricia Amico, the wife of the Company's President, performed services to the Company during 2002, 2001, and 2000 for which she received $9,930, $9,126, and $11,194, respectively. Mr. Timothy Smith, the son in law of the Company's President, performed services to the Company during 2000. The amount of such services totaled $4,644.

Mr. John Watt, a director of the Company, received commissions during fiscal 2000 from certain suppliers and fabricators that conduct business with the Company. The amount of such commission for each year was less that $10,000.

Mr. Frank Basile, a director of the Company, is a partner of a law firm that performed legal services to the Company during fiscal 2002, 2001 and 2002. The billing amount for such services for each year was less than $10,000.

During 2002 and 2001, each director of the Company, other than Mr. Amico, received a stock option to acquire 5,000 shares of common stock at a price per share of $0.50.

The Company has conducted private placement offerings for prior periods. These offerings were exempt under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder. During 1999 and 2002, the Company has raised net of offering costs, $872,268 and $430,858, respectively. During 2002 and 2001, the Company raised net of offering costs $396,630 and $348,600, respectively.

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

During June 2002, the Company entered into four separate consulting agreements with third parties. The Company entered into a one year consulting agreement with third party to provide financial consulting services to the Company. Pursuant to the agreement, the Company issued 75,000 shares of common stock, and agreed to pay the consultant the sum of $5,000 a month during the term. The stated monthly fee can be paid in the form of common stock of the Company. The Company entered into a consulting agreement with an individual to provide web-site development and to develop corporate and product promotional videos and CD-Roms, and issued 70,000 shares of common stock to the consultant in exchange for such services. The Company entered into a consultant agreement with a third party to provide financial public relations services. The Company issued the consultant 100,000 shares of common stock and an option to purchase 100,000 shares of common stock at $3.00 per share during a two year term. Finally, the Company entered into a consulting agreement with a third party to introduce the Company s product to foreign markets, and issued 50,000 shares of common stock in exchange for such services.

PART IV

Item 13. Exhibits and reports on Form 8-K.

(a)(1). Exhibits

EXHIBIT INDEX

3(i)(a). 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(i)(b). Certificate of Amendment to Certificate of Incorporation of AirTrax,

Inc. dated November 11, 1999. (Filed as an exhibit to the Company's

Form 8-K filed with the Securities and Exchange Commission on November 19,

1999).

3(i)(c). 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 19, 1999).

3(i)(d). 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 19, 1999).

3(ii)(a). 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).

10(i) 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(ii). 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(iii). 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(iv). Consulting Agreement by and between MAS Financial Corp. and AirTrax,

Inc. dated October 26, 1999. (Filed as Exhibit 99(i) to the Company's

Form 8-K filed with the Securities and Exchange Commission on November 19,

1999).

10(v). Employment Agreement effective July 1, 2002 by and between the Company and Peter Amico (filed herewith).

23(i). Subsidiaries Filed herewith.

3.(a)(2). Financial Statements

FINANCIAL STATEMENTS INDEX

Board of Directors

AirTrax, Inc.

I have audited the accompanying balance sheet of AirTrax, Inc. (a development stage company) as of December 31, 2002, and the related statements of operations and deficit accumulated during development stage, changes in stockholders equity, and cash flows for the years ended December 31, 2002 and 2001, and for the period from May 19, 1997 (inception) to December 31, 2002. These financial statements are the responsibility of the Company management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AirTrax, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the years ended December 31, 2002 and 2001, and for the period from May 19, 1997 (inception) to December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/Robert G. Jeffrey

ROBERT G. JEFFREY

Wayne, New Jersey

March 29, 2003

F-1

AIRTRAX, INC.

(A Development Stage Company)

BALANCE SHEET

December 31, 2002

—

ASSETS

Current Assets

Cash

$ 51,431

Accounts receivable

50,936

Inventory

186,840

Prepaid expenses

146,892

Deferred tax asset

50,743

Total current assets

486,842

Fixed Assets

Office furniture and equipment

44,671

Automotive equipment

21,221

Shop equipment	22,155
Casts and tooling	108,604
	196,651
Less, accumulated depreciation	122,812
Net fixed assets	73,839
Other Assets	
Patents net	38,225
Utility deposits	65
Total other assets	38,290
TOTAL ASSETS	$ 598,971

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities

Accounts payable

$ 341,333

Payroll taxes and other accrued liabilities

135,760

Stockholder note payable

92,917

Total current liabilities

$ 570,010

Stockholders Equity

Common stock authorized, 10,000,000 shares without

par value; 6,247,730 issued and outstanding

3,663,424

Preferred stock authorized, 500,000 shares without

par value; 275,000 issued and outstanding

12,950

Deficit accumulated during the development stage

(3,440,461)

Deficit prior to development stage

(206,952)

Total stockholders equity

28,961

TOTAL LIABILITIES AND

STOCKHOLDERS EQUITY

$ 598,971

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

F-2

AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS and DEFICIT

ACCUMULATED DURING DEVELOPMENT STAGE

For the Years Ended December 31, 2002 and 2001

May 19, 1997

(Date of Inception)

YEAR 2002 YEAR 2001

to December 31, 2001

SALES

$ 551,122

$ 220,287

$ 1,001,244

COST OF GOODS SOLD

207,665

107,912

379,088

Gross Profit

343,457

112,375 622,156

OPERATING AND ADMINISTRATIVE EXPENSES

1,014,406

966,895

4,106,932

OPERATING LOSS

(670,949)

(854,520)

(3,484,776)

OTHER INCOME AND (EXPENSE)

Interest expense

(33,174)

(28,208)

(100,232)

Other income

4,215

50,925

67,401

NET LOSS BEFORE INCOME TAXES

(699,908)

(831,803)

(3,517,607)

INCOME TAX BENEFIT (STATE):

Current

59,292

64,901

59,292

Prior years

-

-

248,474

Total Benefit

59,292

64,901 307,766

LOSS ACCUMULATED DURING

DEVELOPMENT STAGE

$ (640,616) $(766,902)

(3,209,841)

PREFERRED STOCK DIVIDENDS DURING

DEVELOPMENT STAGE

(230,620)

DEFICIT ACCUMULATED DURING DEVELOPMENT

STAGE

$(3,440,461)

NET LOSS PER SHARE Basic and Diluted

$(.12)

$(.16)

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

AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

For the Year Ended December 30, 2002

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

Sales of stock under Rule

504, Regulation D, offering

235,999

348,600

348,600

Shares issued for services

97,183

95,746

95,746

Shares issued to settle

obligation of 1999 merger

57,434

-

-

Net loss for the period

(766,902)

(766,902)

-

Balance, December 31, 2001

5,431,237

2,852,895

275,000

12,950

(2,799,845)

(206,952)

(140,952)

Sales of stock under Rule

504, Regulation D, offering

392,834

396,630

396,630

Shares issued for services

423,659

413,899

413,899

Net loss for period

(640,616)

(640,616)

-

Balance, December 31, 2002

6,247,730

$3,663,424

275,000

$12,950

$(3,440,461)

$(206,952)

$ 28,961

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

AIRTRAX, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2002 and 2001

May 19, 1997

(Date of Inception)

Year 2002

Year 2001 **to December 31, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss

$(640,616)

$(766,902)

$(3,209,841)

Adjustments to reconcile net income to net cash

consumed by operating activities:

Depreciation and amortization

31,071

28,783

164,476

Value of common stock issued for services

413,899

95,746

590,447

Decrease (increase) in accrual of deferred

tax benefit

19,043

(8,501)

(50,743)

Changes in current assets and liabilities:

Decrease (increase) in inventory

46,410 531,625

(186,840)

(Increase) decrease in accounts receivable (30,101)

13,547

(50,936)

Decrease in accounts payable

and accrued liabilities

(107,294)

(211,656) 479,890

(Increase) in prepaid expense

(139,954)

-

(146,957)

Net Cash Consumed By

Operating Activities

(407,542)

(317,358)

(2,410,504)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of equipment

(36,883)

(22,485)

(208,933)

Additions to patent cost

-

-

(67,607)

Net Cash Consumed By

Investing Activities

(36,883)

(22,485)

(276,540)

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds of common stock sales

396,630

348,600

2,688,908

Proceeds of sales of preferred stock

-

-

12,950

Proceeds (repayment) of stockholder loans

66,806

-

90,120

Preferred stock dividends paid in cash

-

-

(53,503)

Net Cash Provided By

Financing Activities

463,436 348,600

2,738,475

Net Increase (Decrease) In Cash

19,011

8,757

51,431

Balance at beginning of period

32,420

23,663

-

-

Balance at end of period

$ 51,431

$ 32,420

$ 51,431

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

AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The Company was formed April 17, 1997. It 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 four years to the construction of a prototype of this omni-directional forklift vehicle.

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 Statement of Financial Accounting Standards 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 December 31, 2002, 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 December 31, 2002.

Basis of Presentation

The Company has incurred losses from inception to December 31, 2002 of $3,209,841. 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.

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 will be used to assemble forklift vehicles. Inventories are stated at the lower of cost (determined on a first in-first out basis) or market.

1.

(continued)

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 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.

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 December 31, 2002.

Advertising Costs

The Company expenses advertising costs when the advertisement occurs. Advertising costs amounted to $33,640 in 2002 and $78,255 in 2001.

F-7

AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

1.

(continued)

Segment Reporting

Management treats the operations of the Company as one segment.

Revenue Recognition

Revenue is realized from product sales and consulting services. Recognition occurs upon delivery of goods or services.

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.

1.

RELATED PARTY TRANSACTIONS

The majority shareholder corporation made loans to the Company prior to 2002. The related notes accrue interest at 12%, which totaled $2,800 for the year 2002. The unpaid balance of principal and interest was $28,392 at December 31, 2002, and was due on demand.

The Company president made a $70,000 advance to the Company during 2002. This advance bears interest at 12% and is due on demand. The unpaid balance at December 31, 2002 was $64,525.

During 2002, a non-employee director exercised options, receiving 5,000 shares of common stock in return for $2,500. A director who is also an employee exercised options, receiving 25,000 shares for $3,129. Two directors received a total of 58,802 shares in return for services valued at $51,951, and an affiliate of a director received 2,164 shares in return for services valued at $1,623.

During 2001, two non-employee directors exercised their director options, receiving a total of 10,000 shares of common stock in return for services valued at $5,000. Two directors received a total of 60,026 shares in return for services valued at $46,629, and an affiliate of a director received 2,657 shares in return for services valued at $3,985.

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 2002 and 2001. These offerings were exempt under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder. A total of 392,834 shares of common stock was sold under the offerings during 2002, and 235,999 shares were sold during 2001. These sales resulted in net proceeds of $396,630 and $348,600, respectively.

4.

PREFERRED STOCK

The Company is authorized to issue 500,000 shares of preferred stock, without par value. At December 31, 2002, 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 the majority shareholder of the Company, which is a corporation wholly owned by the Company president and chairman.

At December 31, 2000, $11,999 of dividends had accrued on the preferred stock but remained unpaid. An additional $68,750 of dividends accrued during each of 2001 and 2002 and was not paid. The majority shareholder had the right at December 31, 2002 to acquire 575,425 shares of common stock as accrued and unpaid dividends under the features of the preferred stock. A partial payment was made on these unpaid dividends in March 2003 through the issuance of 245,731 shares of common stock.

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

F-9

AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

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.

Year Ended 2002

Weighted

Income

Average Shares

Per Share

(Loss)

Outstanding

Amount

Net Loss

$(640,616)

Adjustment for preferred stock dividends

(68,750)

Loss allocable to common shareholders

Basic and Diluted

$(709,366)

5,767,347

$ (.12)

Year Ended 2001

Net loss

$(766,902)

Adjustment for preferred stock dividends

(68,750)

Loss allocable to common shareholders

Basic and Diluted

$(835,652)

5,158,877

$ (.16)

Stock options were granted to three employees, of which two are officers, and five to directors, which became exercisable during 2001. These are described in Note 9. In addition, dividends accrued on the preferred stock during 2001 and 2002 (see Note 4) which at the option of the preferred shareholder, could be paid in common stock. These shares were not included in the calculation of earnings per share because such inclusion would have an antidilutive effect.

AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

1.

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, 2002, the Company had NOL carryforwards of $3,345,816 available for Federal taxes and $563,812 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:

1

$206,952

2

129,092

1

486,799

2

682,589

3

501,169

4

775,403

5

563,812

During the year 2002, the Company realized $78,335 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 during 2001. 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. The Company has recorded deferred tax assets as follows:

Current

Non-current

Total

Deferred Tax Assets

$225,186

$945,882

$1,171,068

Valuation Allowance

174,443

945,882

1,120,325

Balance Recognized

$ 50,743

$ -

$ 50,743

The entire balance of the valuation allowance relates to Federal taxes. Since state tax benefits for years prior to 2001 have been realized, no reserve is deemed necessary for the benefit of state tax losses of 2002.

AIRTRAX, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

1.

RENTALS UNDER OPERATING LEASES

Office equipment was leased under an operating lease that was fully paid during 2002. At present, the Company is not obligated under any operating lease.

Rent expense amounted to $6,000 in 2002 and $27,857 in 2001.

8.

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid for interest and income taxes is presented below:

	2001	2000
Interest	$27,927	$25,411
Income taxes	200	200

There were no noncash investing activities during either 2002 or 2001. The following noncash financing activities occurred:

a.

Shares of common stock were issued for services during 2002 and 2001; these totaled 423,659 and 97,183, respectively.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

9.

CONTINGENCIES

The Company has employment agreements with its president, vice president, and two other employees. The president s contract, which expires June 30, 2003, provides 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 for 130,000 shares had accumulated from grants contained in contracts covering previous years. There were no options exercised during 2002 by the president, but in February 2003 options for 180,000 shares were exercised, generating proceeds to the Company of $25,202.

Contracts with each of the other employees provide in part for options permitting the acquisition of up to 25,000 shares per year. One employee, who is also director, exercised these options during 2002, leaving 50,000 of these options outstanding at year end.

Options to purchase 5,000 shares are granted each year to each of the five directors. These options expire at year end if not used. Two members exercised their options during the year 2002.

A judgment was entered against the Company in January, 2002 in the amount of $35,000. The Company arranged a settlement for this judgment; approximately $11,000 of the settlement amount remained unpaid at December 31, 2002.

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

#

(b). Reports on Form 8-K.

On November 12, 2002, the Company filed a report under Form 8-K to report events under Item 7 and Item 9.

SIGNATURES

In accordance with Section 13 or 15(d) 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.

/s/ Peter Amico April 14 2003

Peter Amico Date

Chairman and

Principal Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Peter Amico April 14 2003

Peter Amico Date

Director

/s/ D. Barney Harris April 14, 2003

D. Barney Harris Date

Director

________________ April 14 2003

James Hudson Date

Director

/s/ Frank Basile April 14, 2002

Frank Basile Date

Director

__________________ April 14, 2003

John Watt Date

Director

/s/ William Hungerville April 14 2003

William Hungerville Date

Director

#

CERTIFICATION

I, Peter Amico, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I 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 annual 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 annual report (the "Evaluation Date"); and

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

5. 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. I have indicated in this annual 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: April 15, 2003

/s/ Peter Amico

Peter Amico

President,

Chief Executive Officer,

And Chief Financial Officer

#