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AIR INDUSTRIES GROUP, INC.

Form 8-K/A

November 13, 2007

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K/A  
(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported):  
August 24, 2007

AIR INDUSTRIES GROUP, INC.

-----  
(Exact Name of Registrant as Specified in its Charter)

|               |             |              |
|---------------|-------------|--------------|
| Delaware      | 000-29245   | 20-4458244   |
| -----         | -----       | -----        |
| State of      | Commission  | IRS Employer |
| Incorporation | File Number | I.D. Number  |

1479 North Clinton Avenue, Bay Shore, NY 11706  
Address of principal executive offices

Registrant's telephone number: (631) 968-5000

-----  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

This amendment supplements the Current Report on Form 8-K filed by Air Industries Group, Inc. ("we," "our," "us," "Gales" or the "Company") with the Securities and Exchange Commission on August 24 2007, in which we disclosed the completion of our acquisition of all the outstanding capital stock of Welding Metallurgy, Inc., to include in such report the financial statements of Welding Metallurgy, Inc. for the years ended December 31, 2006 and 2005 and the periods ended June 30, 2007 and 2006, required by Item 9.01(a) and the pro forma financial information for the years ended December 31, 2006 and 2005 and the periods ended June 30, 2007 and 2006 required by Item 9.01(b).

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Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

WELDING METALLURGY, INC.

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED  
DECEMBER 31, 2006  
DECEMBER 31, 2005

WELDING METALLURGY, INC.

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For the Years Ended  
December 31, 2006  
December 31, 2005

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Independent Auditors' Report

Board of Directors  
Welding Metallurgy, Inc.

We have audited the accompanying Comparative Balance Sheets of Welding Metallurgy, Inc. as of December 31, 2006 and December 31, 2005 and the related Statements of Income and Retained Earnings, and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Welding Metallurgy, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements

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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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Welding Metallurgy, Inc. as of December 31, 2006 and December 31, 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying schedules of cost of goods sold and expenses is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the audit of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,

BILDNER & GIANNASCO, LLP  
Certified Public Accountants

Jericho, New York  
October 1, 2007

### WELDING METALLURGY, INC.

#### Comparative Balance Sheets

| ASSETS                         | DECEMBER 31,<br>2006 | DECEMBER 31,<br>2005 |
|--------------------------------|----------------------|----------------------|
|                                | -----                | -----                |
| CURRENT ASSETS                 |                      |                      |
| Cash and Cash Equivalents      | \$ 672,457           | \$ 989,340           |
| Accounts Receivable            | 270,741              | 725,226              |
| Inventory                      | 220,059              | 212,525              |
| Prepaid Expenses               | 354                  | 1,204                |
|                                | -----                | -----                |
| TOTAL CURRENT ASSETS           | \$1,163,611          | \$1,928,295          |
|                                | -----                | -----                |
| FIXED ASSETS - AT COST         |                      |                      |
| Property and Equipment         | \$1,707,445          | \$1,456,178          |
| Less: Accumulated Depreciation | 1,217,670            | 1,072,012            |
|                                | -----                | -----                |
| FIXED ASSETS - NET             | \$ 489,775           | \$ 384,166           |
|                                | -----                | -----                |
| OTHER ASSETS                   | \$ 20,090            | \$ 20,090            |
|                                | -----                | -----                |

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|              |             |             |
|--------------|-------------|-------------|
| TOTAL ASSETS | \$1,673,476 | \$2,332,551 |
|              | =====       | =====       |

The accompanying audit report and notes are an integral part of these statements.

WELDING METALLURGY, INC.

Comparative Balance Sheets

| LIABILITIES AND<br>STOCKHOLDERS' EQUITY   | DECEMBER 31,<br>2006 | DECEMBER 31,<br>2005 |
|---|----------------------|----------------------|
|   | -----                | -----                |
| CURRENT LIABILITIES   |                      |                      |
| Accounts Payable  | \$ 171,947           | \$ 212,678           |
| Notes Payable - Current Portion   | 93,731               | --                   |
| Accrued Operating Expenses  | 34,850               | 29,376               |
|   | -----                | -----                |
| TOTAL CURRENT LIABILITIES   | \$ 300,528           | \$ 242,054           |
|   | -----                | -----                |
| LONG-TERM LIABILITIES   |                      |                      |
| Notes Payable - Long Term   | \$ 90,737            | \$ --                |
|   | -----                | -----                |
| TOTAL LONG-TERM LIABILITIES   | \$ 90,737            | \$ --                |
|   | -----                | -----                |
| TOTAL LIABILITIES   | \$ 391,265           | \$ 242,054           |
|   | -----                | -----                |
| COMMITMENTS AND CONTINGENCIES   |                      |                      |
| STOCKHOLDERS' EQUITY  |                      |                      |
| Common Stock (No par value; 200 shares<br>authorized; 100 shares issued and<br>outstanding) | \$ 437               | \$ 437               |
| Retained Earnings   | 1,281,774            | 2,090,060            |
|   | -----                | -----                |
| TOTAL STOCKHOLDERS' EQUITY  | \$1,282,211          | \$2,090,497          |
|   | -----                | -----                |
| TOTAL LIABILITIES AND<br>STOCKHOLDERS' EQUITY   | \$1,673,476          | \$2,332,551          |
|   | =====                | =====                |

WELDING METALLURGY, INC.

Comparative Statements of Income and Retained Earnings

|         | FOR THE YEAR ENDED   |                      |
|---------|----------------------|----------------------|
|         | DECEMBER 31,<br>2006 | DECEMBER 31,<br>2005 |
|         | -----                | -----                |
| REVENUE | \$4,456,376          | \$5,252,414          |

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|                                      |             |             |
|--------------------------------------|-------------|-------------|
| COST OF GOODS SOLD                   | \$2,011,151 | \$2,682,565 |
| GROSS PROFIT                         | \$2,445,225 | \$2,569,849 |
| EXPENSES                             |             |             |
| Selling, General, and Administrative | \$1,966,350 | \$1,581,247 |
| Interest                             | 2,480       | --          |
| Franchise Tax                        | 425         | 425         |
| TOTAL EXPENSES                       | \$1,969,255 | \$1,581,672 |
| NET INCOME FROM OPERATIONS           | \$ 475,970  | \$ 988,177  |
| INTEREST INCOME                      | 53,744      | 63,038      |
| NET INCOME FOR YEAR                  | \$ 529,714  | \$1,051,215 |
| DISTRIBUTIONS                        | (1,338,000) | (2,585,000) |
| RETAINED EARNINGS, BEGINNING OF YEAR | 2,090,060   | 3,623,845   |
| RETAINED EARNINGS, END OF YEAR       | \$1,281,774 | \$2,090,060 |

The accompanying audit report and notes are an integral part of these statements.

WELDING METALLURGY, INC.

Comparative Statements of Cash Flows

|  | FOR THE YEAR ENDED   |                      |
|--|----------------------|----------------------|
|  | DECEMBER 31,<br>2006 | DECEMBER 31,<br>2005 |
|  | ----                 | ----                 |
| CASH FLOWS FROM OPERATING ACTIVITIES   |                      |                      |
| Net Income for Year  | \$ 529,714           | \$ 1,051,215         |
| Adjustments to Reconcile Net Income to Net<br>Cash Provided by Operating Activities: |                      |                      |
| Depreciation   | 145,657              | 133,104              |
| Changes in Assets and Liabilities:   |                      |                      |
| (Increase) Decrease In -   |                      |                      |
| Accounts Receivable  | 454,485              | 593,341              |
| Inventory  | (7,534)              | (100,670)            |
| Prepaid Expenses   | 850                  | 14,796               |
| Other Current Assets   | --                   | (11,340)             |
| Increase (Decrease) In -   |                      |                      |
| Accounts Payable   | (40,730)             | 80,769               |
| Accrued Operating Costs  | 5,474                | 8,433                |
|  | -----                | -----                |

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|                                      |              |              |
|--------------------------------------|--------------|--------------|
| NET CASH PROVIDED BY                 |              |              |
| OPERATING ACTIVITIES (Forward)       | \$ 1,087,916 | \$ 1,769,648 |
|                                      | -----        | -----        |
| CASH FLOWS FROM INVESTING ACTIVITIES |              |              |
| Purchase of Equipment                | \$ (251,267) | \$ (100,449) |
|                                      | -----        | -----        |
| NET CASH (USED) BY                   |              |              |
| INVESTING ACTIVITIES (Forward)       | \$ (251,267) | \$ (100,449) |
|                                      | -----        | -----        |

WELDING METALLURGY, INC.

Comparative Statements of Cash Flows  
(Continued)

|   | FOR THE YEAR ENDED   |                      |
|---|----------------------|----------------------|
|   | DECEMBER 31,<br>2006 | DECEMBER 31,<br>2005 |
|   | -----                | -----                |
| NET CASH PROVIDED BY                              |                      |                      |
| OPERATING ACTIVITIES (Forward)                    | \$ 1,087,916         | \$ 1,769,648         |
|   | -----                | -----                |
| NET CASH (USED) BY                                |                      |                      |
| INVESTING ACTIVITIES (Forward)                    | \$ (251,267)         | \$ (100,449)         |
|   | -----                | -----                |
| CASH FLOWS FROM FINANCING ACTIVITIES              |                      |                      |
| Increase in Bank Debt                             | \$ 184,468           | \$ --                |
| Distributions                                     | (1,338,000)          | (2,585,000)          |
|   | -----                | -----                |
| NET CASH (USED) BY                                |                      |                      |
| FINANCING ACTIVITIES                              | \$ (1,153,532)       | \$ (2,585,000)       |
|   | -----                | -----                |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS       | \$ (316,883)         | \$ (915,801)         |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR      | 989,340              | 1,905,141            |
|   | -----                | -----                |
| CASH AND CASH EQUIVALENTS, END OF YEAR            | \$ 672,457           | \$ 989,340           |
|   | =====                | =====                |
| Supplemental Disclosure of Cash Flow Information: |                      |                      |
| Interest Paid                                     | \$ 2,480             | \$ --                |
|   | -----                | -----                |
| Income Taxes Paid                                 | \$ 425               | \$ 425               |
|   | -----                | -----                |

The accompanying audit report and notes are an integral part of these statements.

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SUPPLEMENTARY INFORMATION

WELDING METALLURGY, INC.

Comparative Schedules of Costs of Goods Sold

|   | FOR THE YEAR ENDED |              |
|---|--------------------|--------------|
|   | DECEMBER 31,       | DECEMBER 31, |
|   | 2006               | 2005         |
|   | ----               | ----         |
| COST OF GOODS SOLD                                |                    |              |
| Inventory, Beginning                              | \$ 212,525         | \$ 236,623   |
| Purchases, Hardware & Materials & Sub Contracting | 669,841            | 1,188,875    |
| Direct Labor                                      | 422,190            | 475,717      |
| Manufacturing Overhead                            | 926,654            | 993,875      |
|   | -----              | -----        |
|   | \$2,231,210        | \$2,895,090  |
| Less: Inventory, Ending                           | 220,059            | 212,525      |
|   | -----              | -----        |
| COST OF GOODS SOLD                                | \$2,011,151        | \$2,682,565  |
|   | -----              | -----        |
| MANUFACTURING OVERHEAD                            |                    |              |
| Rent  | \$ 59,533          | \$ 81,942    |
| Supplies  | 66,287             | 98,637       |
| Equipment Rental                                  | 5,084              | 5,224        |
| Utilities   | 28,377             | 27,268       |
| Repairs and Maintenance                           | 6,917              | 15,783       |
| Depreciation                                      | 158,232            | 133,576      |
| Truck and Auto                                    | 11,945             | 10,352       |
| Supervisor and Quality Control                    | 458,931            | 478,340      |
| Payroll Taxes                                     | 131,348            | 142,753      |
|   | -----              | -----        |
| TOTAL MANUFACTURING OVERHEAD                      | \$ 926,654         | \$ 993,875   |
|   | =====              | =====        |

The accompanying audit report and notes are an integral part of these statements.

WELDING METALLURGY, INC.

Comparative Schedules of Expenses

|  | FOR THE YEAR ENDED |              |
|--|--------------------|--------------|
|  | DECEMBER 31,       | DECEMBER 31, |
|  | 2006               | 2005         |
|  | ----               | ----         |
| SELLING, GENERAL, AND<br>ADMINISTRATIVE EXPENSES |                    |              |
| Advertising                                      | \$ 1,012           | \$ --        |

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|  |                      |                      |
|--|----------------------|----------------------|
| Travel   | 29,243               | 28,744               |
| Auto Leases  | 24,311               | 11,651               |
| Entertainment  | 18,352               | 13,170               |
| Freight and Delivery                                   | 30,173               | 32,286               |
| Officers' Salaries                                     | 1,221,500            | 763,000              |
| Other Wages  | 357,900              | 466,897              |
| Employee Benefits                                      | --                   | 52,232               |
| Office Supplies  | 21,349               | 31,838               |
| Computer Expense                                       | 47,492               | 40,187               |
| Insurance  | 51,842               | 33,925               |
| Hospitalization  | 48,077               | 36,616               |
| Outside Services                                       | 60,327               | 11,283               |
| Telephone  | 6,914                | 6,854                |
| Dues and Subscriptions                                 | 1,806                | 7,066                |
| Licenses and Fees                                      | 800                  | 809                  |
| Seminars   | 11,315               | 7,848                |
| Professional Fees                                      | 16,645               | 15,853               |
| Holiday Party  | 14,734               | 3,449                |
| Donations  | 1,695                | 13,505               |
| Security   | --                   | 127                  |
| Bank Charges   | 863                  | 3,907                |
|  | -----                | -----                |
| TOTAL SELLING, GENERAL, AND<br>ADMINISTRATIVE EXPENSES | \$1,966,350<br>===== | \$1,581,247<br>===== |

The accompanying audit report and notes are an integral part of these statements.

WELDING METALLURGY, INC.

Notes to Financial Statements  
For the Years Ended  
December 31, 2006  
December 31, 2005

1 - SIGNIFICANT ACCOUNTING POLICIES

Background of Company

Welding Metallurgy, Inc. ("the Company") is a New York Subchapter S corporation and is 100% owned by the Gantt family. The Company is in the business of welding, inspecting, and metal fabrication as a supplier to firms in the aircraft and rotorcraft businesses that are part of the defense industry. The company operates in a single, leased 10,000 sq. ft. facility in West Babylon, NY and all of its sales are to US companies. There are 25 full time employees.

As a Subchapter S corporation, the Company is not taxed as a separate legal entity; its profits pass through to the owners and become part of the owners' taxable income. Accordingly, the Company records no income tax expense on its books and pays no corporate income taxes.

Cash & Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with an original maturity of three month or less. Cash consists of aggregate cash balances in the Company's bank accounts and cash equivalents consist primarily of money market accounts.



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### Accounts Receivable

Receivables are generally due within 30 days. The company sells to a small number of customers who are major suppliers to the defense industry. Management has determined that no reserve for bad debts is required for the balances presented.

### Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade accounts receivable. The Company grants credits to its customers, which are located in the United States.

### Inventory

Inventory is stated at the lower of cost-or market, on a FIFO basis.

## 1 - SIGNIFICANT ACCOUNTING POLICIES - (Continued)

### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. The Company maintains a policy to capitalize all property and equipment purchases in excess of \$1,000. Expenditures for repairs and improvements in excess of \$1,000 that add to the productive capacity or extend the useful life of an asset are capitalized. Repair and maintenance charges are expensed as incurred. Property under a capital lease is capitalized and amortized over the lease terms. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in earnings.

### Property, Plant and Equipment

The Company depreciates all property, plant, and equipment over 7 years using the double declining balance method of depreciation. Expenditures for repairs and maintenance are expensed and major betterments are capitalized.

### Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment at the facility level annually or when events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the assets compared to their carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value, based on discounted estimated future cash flows.

### Finance Costs

Costs connected with obtaining and executing debt arrangements are capitalized and amortized on the straight-line basis over the term of the related debt.

### Revenue Recognition

Sales are recorded at the time of shipment. Pre-acceptance inspections by customers are generally performed at the Company's plant before a part is released for shipment.

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### Expenses

Selling, general, and administrative costs are charged to expenses as incurred.

### Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The more significant management estimates are the useful lives of property and equipment, provisions for inventory obsolescence, unamortized finance costs, accrued expenses, and various contingencies. Actual results could differ from those estimates. Changes in facts and circumstances may result in revised estimates, which are recorded in the period in which they become known.

## 1 - SIGNIFICANT ACCOUNTING POLICIES - (Continued)

### Fair Value of Financial Instruments

The Company has estimated the fair value of financial instruments using available market information and other valuation methodologies in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments."

Management of the Company believes that the fair value of financial instruments, consisting of cash, accounts receivable, accounts payable and accrued liabilities, approximates carrying value due to the immediate or short-term maturity associated with these instruments and that the notes payable is carried at fair value in that it carries interest rates that are comparable to similar instruments with similar maturities.

### Income Taxes

The Company has elected to be taxed as a Small Business Corporation and, consequently, no Federal tax liability is reflected on the Comparative Statements of Income and Retained Earnings.

## 2 - INVENTORY

Inventory consists of the following:

|                  | 2006       | 2005       |
|------------------|------------|------------|
|                  | ----       | ----       |
| Raw Materials    | \$ 40,235  | \$ 47,635  |
| Work in Progress | 173,456    | 154,664    |
| Finished Goods   | 6,368      | 10,226     |
|                  | -----      | -----      |
|                  | \$ 220,059 | \$ 212,525 |
|                  | =====      | =====      |

## 3 - NOTES PAYABLE - BANK

The Company financed the acquisition of certain machinery with a financial institution in an amount of \$200,000. The terms of the agreement are 23 monthly payments of \$9,006.22 which includes interest at a rate of 7.46%.

Principal payments over the next two years are as follows:

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|      |           |
|------|-----------|
| 2007 | \$ 93,731 |
| 2008 | \$ 90,737 |

Subsequent to the Balance Sheet date, this note was satisfied from the purchaser as part of the "Purchase Agreement" (see Note 6).

#### 4 - EMPLOYEE BENEFITS

The Company had offered eligible employees the option of investing in a tax-deferred Individual Retirement Account (IRA). This plan was intended to be used in combination with their Social Security benefits and personal resources to provide them with supplemental income upon retirement. The Plan was terminated in October 2005.

#### 5 - COMMITMENTS AND CONTINGENCIES

The Company presently leases manufacturing and office facilities under a lease expiring on December 31, 2007 at an annual rental of approximately \$62,400 plus utilities and annual escalation adjustments for real estate taxes.

This lease is between the Company and Prime Real Estate Inc.

#### 6 - SUBSEQUENT EVENTS

On March 9, 2007, the Company entered into a Stock Purchase Agreement ("Welding Metallurgy, Inc.") with Gales Industries Incorporated, a Delaware Corporation, and the holders of all of the outstanding shares of Welding Metallurgy, Inc. (the "Shareholder"). Pursuant to the Welding Metallurgy Inc. Agreement, subject to the satisfaction of various terms and conditions, the Company will acquire from the Shareholders all of the issued and outstanding capital stock of Welding Metallurgy, Inc.

WELDING METALLURGY, INC.

COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2007

WELDING METALLURGY, INC.

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## Independent Accountants' Report

Board of Directors  
Welding Metallurgy, Inc.

Gentlemen:

We have compiled the accompanying Comparative Balance Sheets of Welding Metallurgy, Inc. as of June 30, 2007 and June 30, 2006 and the related Comparative Statements of Income and Retained Earnings and Cash Flows for the period then ended, as well as the accompanying Schedules of Costs of Goods Sold and Expenses in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited nor reviewed the accompanying financial statements and supplementary schedules and, accordingly, we do not express an opinion or any other form of assurance on them.

Management has elected to omit all the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence users' conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for persons who are not informed about such matters.

Respectfully submitted,

BILDNER & GIANNASCO, LLP  
Certified Public Accountants

Jericho, New York  
November 7, 2007

WELDING METALLURGY, INC.

### Comparative Balance Sheets

| ASSETS                    | JUNE 30,<br>2007 | JUNE 30,<br>2006 |
|---------------------------|------------------|------------------|
| CURRENT ASSETS            |                  |                  |
| Cash and Cash Equivalents | \$ 385,595       | \$1,841,987      |
| Accounts Receivable       | 534,050          | 939,847          |
| Inventory                 | 382,851          | 151,818          |
| Prepaid Expenses          | --               | 6,849            |

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|                                |             |             |
|--------------------------------|-------------|-------------|
| TOTAL CURRENT ASSETS           | \$1,302,496 | \$2,940,501 |
| FIXED ASSETS - AT COST         |             |             |
| Property and Equipment         | \$1,716,659 | \$1,456,178 |
| Less: Accumulated Depreciation | 1,288,627   | 1,151,128   |
| FIXED ASSETS - NET             | \$ 428,032  | \$ 305,050  |
| OTHER ASSETS                   |             |             |
| Loan Receivable                | --          | 20,090      |
| TOTAL ASSETS                   | \$1,730,528 | \$3,265,641 |

The accompanying audit report and notes are an integral part of these statements.

WELDING METALLURGY, INC.

Comparative Balance Sheets

| LIABILITIES AND<br>STOCKHOLDERS' EQUITY                                  | JUNE 30,<br>2007 | JUNE 30,<br>2006 |
|--|------------------|------------------|
| CURRENT LIABILITIES  |                  |                  |
| Accounts Payable   | \$ 185,259       | \$ 86,264        |
| Due to Air Industries Mach   | --               | --               |
| Due to Air Industries Group  | --               | --               |
| Loan Payable - Officers  | 83,672           | --               |
| Accrued Operating Expenses   | 2,390            | 3,243            |
| TOTAL CURRENT LIABILITIES  | \$ 271,321       | \$ 89,507        |
| LONG-TERM LIABILITIES  |                  |                  |
| Notes Payable - Long Term  | \$ 136,641       | \$ --            |
| TOTAL LONG-TERM LIABILITIES  | \$ 136,641       | \$ --            |
| TOTAL LIABILITIES  | \$ 407,962       | \$ 89,507        |
| COMMITMENTS AND CONTINGENCIES  |                  |                  |
| STOCKHOLDERS' EQUITY   |                  |                  |
| Common Stock (\$300 par value; 100 shares<br>authorized and outstanding) | \$ 437           | \$ 437           |
| Equity   | --               | --               |
| Retained Earnings  | 1,322,129        | 3,175,697        |

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|   |             |             |
|---|-------------|-------------|
| TOTAL STOCKHOLDERS' EQUITY                    | \$1,322,566 | \$3,176,134 |
|   | -----       | -----       |
| TOTAL LIABILITIES AND<br>STOCKHOLDERS' EQUITY | \$1,730,528 | \$3,265,641 |
|   | =====       | =====       |

WELDING METALLURGY, INC.

Comparative Statements of Income and Retained Earnings

|  | FOR THE PERIOD ENDED |              |
|--|----------------------|--------------|
|  | JUNE 30,             | JUNE 30,     |
|  | 2007                 | 2006         |
|  | ----                 | ----         |
| REVENUE                                | \$ 1,798,084         | \$ 2,616,241 |
|  | -----                | -----        |
| COST OF GOODS SOLD                     | \$ 970,964           | \$ 1,046,496 |
|  | -----                | -----        |
| GROSS PROFIT                           | \$ 827,120           | \$ 1,569,745 |
|  | -----                | -----        |
| EXPENSES                               |                      |              |
| Selling, General, and Administrative   | \$ 577,201           | \$ 409,078   |
| Interest Expense                       | 6,211                | --           |
| Franchise Tax                          | --                   | --           |
|  | -----                | -----        |
| TOTAL EXPENSES                         | \$ 583,412           | \$ 409,078   |
|  | -----                | -----        |
| NET INCOME FROM OPERATIONS             | \$ 243,708           | \$ 1,160,667 |
| INTEREST INCOME                        | 9,343                | 18,970       |
|  | -----                | -----        |
| NET INCOME FOR PERIOD                  | \$ 253,051           | \$ 1,179,637 |
| DISTRIBUTIONS                          | (212,696)            | (94,000)     |
| RETAINED EARNINGS, BEGINNING OF PERIOD | 1,281,774            | 2,090,060    |
|  | -----                | -----        |
| RETAINED EARNINGS, END OF PERIOD       | \$ 1,322,129         | \$ 3,175,697 |
|  | =====                | =====        |

WELDING METALLURGY, INC.

Comparative Statements of Cash Flows

|  | FOR THE PERIOD ENDED |          |
|--|----------------------|----------|
|  | JUNE 30,             | JUNE 30, |

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|   | 2007<br>---- | 2006<br>---- |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |              |              |
| Net Income for Period   | \$ 253,051   | \$ 1,179,637 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: |              |              |
| Depreciation  | 70,956       | 79,116       |
| Changes in Assets and Liabilities:  |              |              |
| (Increase) Decrease In -  |              |              |
| Accounts Receivable   | (263,309)    | (214,621)    |
| Inventory   | (162,792)    | 60,707       |
| Prepaid Expenses  | 354          | (5,645)      |
| Other Current Assets  | 20,090       | --           |
| Increase (Decrease) In -  |              |              |
| Accounts Payable  | 13,313       | (126,414)    |
| Intercompany Payable  | --           | --           |
| Accrued Operating Costs   | (32,460)     | (26,133)     |
|   | -----        | -----        |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (Forward)                        | \$ (100,797) | \$ 946,647   |
|   | -----        | -----        |
| CASH FLOWS FROM INVESTING ACTIVITIES  |              |              |
| Purchase of Equipment   | \$ (9,214)   | \$ --        |
|   | -----        | -----        |
| NET CASH (USED) BY INVESTING ACTIVITIES (Forward)                                 | \$ (9,214)   | \$ --        |
|   | -----        | -----        |

WELDING METALLURGY, INC.

Comparative Statements of Cash Flows  
(Continued)

|  | FOR THE PERIOD ENDED     |                          |
|--|--------------------------|--------------------------|
|  | JUNE 30,<br>2007<br>---- | JUNE 30,<br>2006<br>---- |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (Forward) |                          |                          |
|  | \$ (100,797)             | \$ 946,647               |
|  | -----                    | -----                    |
| NET CASH (USED) BY INVESTING ACTIVITIES (Forward)          |                          |                          |
|  | \$ (9,214)               | \$ --                    |
|  | -----                    | -----                    |
| CASH FLOWS FROM FINANCING ACTIVITIES                       |                          |                          |
| (Decrease) in Bank Debt                                    | \$ (47,827)              | \$ --                    |
| (Decrease) in Notes Payable - Officers                     | 83,672                   | --                       |
| Distributions  | (212,696)                | (94,000)                 |
|  | -----                    | -----                    |
| NET CASH (USED) BY FINANCING ACTIVITIES                    | \$ (176,851)             | \$ (94,000)              |
|  | -----                    | -----                    |

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|   |              |              |
|---|--------------|--------------|
| NET INCREASE (DECREASE) IN CASH<br>AND CASH EQUIVALENTS | \$ (286,862) | \$ 852,647   |
| CASH AND CASH EQUIVALENTS,<br>BEGINNING OF PERIOD       | 672,457      | 989,340      |
| CASH AND CASH EQUIVALENTS,<br>END OF PERIOD             | \$ 385,595   | \$ 1,841,987 |
| Supplemental Disclosure of Cash Flow Information:       |              |              |
| Interest Paid   | \$ 6,211     | \$ --        |
| Income Taxes Paid                                       | \$ --        | \$ --        |

SUPPLEMENTARY INFORMATION

WELDING METALLURGY, INC.

Comparative Schedules of Cost of Goods Sold

|  | FOR THE PERIOD ENDED |                  |
|--|----------------------|------------------|
|  | JUNE 30,<br>2007     | JUNE 30,<br>2006 |
| COST OF GOODS SOLD                               |                      |                  |
| Inventory, Beginning                             | \$ 220,059           | \$ 212,525       |
| Purchases, Hardware, Materials & Sub-Contracting | 649,331              | 337,565          |
| Direct Labor                                     | 192,738              | 190,046          |
| Manufacturing Overhead                           | 291,687              | 458,178          |
|  | -----                | -----            |
|  | \$1,353,815          | \$1,198,314      |
| Less: Inventory, Ending                          | 382,851              | 151,818          |
|  | -----                | -----            |
| COST OF GOODS SOLD                               | \$ 970,964           | \$1,046,496      |
|  | =====                | =====            |
| MANUFACTURING OVERHEAD                           |                      |                  |
| Rent   | \$ 46,783            | \$ 26,775        |
| Supplies   | 24,461               | 20,141           |
| Equipment Rental                                 | 2,542                | 2,542            |
| Utilities  | 15,136               | 16,225           |
| Repairs and Maintenance                          | 2,586                | 1,487            |
| Depreciation                                     | 70,956               | 79,116           |
| Supervisor and Quality Control                   | 123,335              | 305,563          |
| Payroll Taxes                                    | 5,888                | 6,329            |
|  | -----                | -----            |
| TOTAL MANUFACTURING OVERHEAD                     | \$ 291,687           | \$ 458,178       |
|  | =====                | =====            |



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WELDING METALLURGY, INC.

Comparative Schedules of Expenses

|   | FOR THE PERIOD ENDED |                    |
|---|----------------------|--------------------|
|   | JUNE 30,<br>2007     | JUNE 30,<br>2006   |
| SELLING, GENERAL AND<br>ADMINISTRATIVE EXPENSES       |                      |                    |
| Travel  | 9,986                | 10,319             |
| Auto  | 10,953               | 11,181             |
| Entertainment   | 4,179                | 7,581              |
| Freight and Delivery                                  | 9,634                | 18,099             |
| Officers' Salaries                                    | 225,000              | 60,500             |
| Other Wages   | 188,385              | 208,814            |
| Office Supplies                                       | 9,268                | 17,589             |
| Computer Expense                                      | 18,411               | 11,792             |
| Insurance   | 2,536                | 2,500              |
| Hospitalization                                       | 24,249               | 16,127             |
| Telephone   | 3,453                | 3,415              |
| Advertising   | --                   | 1,012              |
| Dues and Subscriptions                                | 4,056                | 1,506              |
| Licenses and Fees                                     | 100                  | 100                |
| Seminars  | 900                  | 1,315              |
| Professional Fees                                     | 61,151               | 6,418              |
| Outside Services                                      | --                   | 28,247             |
| Holiday Party   | 411                  | 254                |
| Donations   | 4,268                | 1,118              |
| Bank Charges  | 261                  | 1,191              |
|   | -----                | -----              |
| TOTAL SELLING, GENERAL AND<br>ADMINISTRATIVE EXPENSES | \$577,201<br>=====   | \$409,078<br>===== |

(b) Pro forma financial information

Air Industries Group, Inc. (AIRI.ob)  
Unaudited Pro Forma Consolidated Comparative Balance Sheet  
December 31, 2006

|   | AIRI Consolidated<br>----- | Welding<br>Metallurgy,<br>Inc.<br>----- | Adjust<br>----- |
|---|----------------------------|---|-----------------|
| ASSETS  |                            |   |                 |
| Current Assets  |                            |   |                 |
| Cash and Cash Equivalents   | \$ 3,049,140               | \$ 672,457                              | \$ 60           |
| Accounts Receivable (Net of Allowance for Doubtful<br>Accounts of \$176,458 for AIRI) | 5,901,904                  | 270,741                                 |                 |
| Inventory   | 18,070,514                 | 220,059                                 |                 |
| Prepaid Expenses and Other Current Assets   | 260,567                    | 354                                     |                 |
| Deposits  | 180,456                    | --                                      |                 |

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|   |                     |                     |                |
|---|---------------------|---------------------|----------------|
| Total Current Assets  | 27,462,581          | 1,163,611           | 60             |
| Property, Plant, and Equipment, net   | 3,697,311           | 489,775             |                |
| Deferred Financing Costs  | 369,048             | --                  |                |
| Other Assets  | 64,373              | 20,090              |                |
| Goodwill  | 6,671,410           | --                  | 4,84           |
| Deposits  | 471,293             | --                  |                |
| <b>TOTAL ASSETS</b>   | <b>\$38,736,016</b> | <b>\$ 1,673,476</b> | <b>\$ 5,45</b> |
| <b>Current Liabilities</b>  |                     |                     |                |
| Accounts Payable and Accrued Expenses   | \$ 9,966,048        | \$ 206,797          | (43            |
| Notes Payable Current Portion   | 127,776             | 93,731              | (9             |
| Notes Payable - Revolver  | 5,027,463           | --                  |                |
| Subordinated Note - SCCF  |                     |                     | 4,50           |
| Notes Payable - Sellers Sigma - Current Portion   | 553,804             | --                  |                |
| Notes Payable - Sellers Welding Metallurgy - Current Portion  | --                  | --                  | 1,00           |
| Capital Lease Obligations - Current Portion   | 407,228             | --                  |                |
| Due to Sellers AIM  | 53,694              | --                  |                |
| Dividends Payable   | 120,003             | --                  |                |
| Deferred Gain on Sale - Current Portion   | 38,033              | --                  |                |
| Income Taxes Payable  | 653,426             | --                  | 32             |
| <b>Total current liabilities</b>  | <b>16,947,475</b>   | <b>300,528</b>      | <b>5,30</b>    |
| <b>Long term liabilities</b>  |                     |                     |                |
| Due to Sellers - Sigma - Net of Current Portion   | --                  | --                  |                |
| Notes Payable - Net of Current Portion  | 1,833,799           | 90,737              | (9             |
| Notes Payable - Sellers AIM - Net of Current Portion  | 1,290,562           | --                  |                |
| Notes Payable - Sellers Sigma - Net of Current Portion  | 722,807             | --                  |                |
| Notes Payable - Sellers Welding Metallurgy - Net of Current Portion   |                     |                     | 1,00           |
| Capital Lease Obligations - Net of Current Portion  | 552,589             | --                  |                |
| Deferred Tax Liability  | 512,937             | --                  |                |
| Deferred Gain on Sale - Net of Current Portion  | 713,118             | --                  |                |
| Deferred Rent   | 39,371              | --                  |                |
| <b>TOTAL LIABILITIES</b>  | <b>\$22,612,658</b> | <b>\$ 391,265</b>   | <b>\$ 6,21</b> |
| <b>Commitments and Contingencies</b>  |                     |                     |                |
| <b>Stockholders' Equity</b>   |                     |                     |                |
| <b>Preferred Stock - 8,003,716 shares authorized</b>  |                     |                     |                |
| Series A Convertible Preferred - \$.001 Par value, 1,000 Shares authorized, 900 shares Issued and 0 Outstanding   |                     |                     |                |
| Series B Convertible Preferred - \$.001 Par value, 2,000,000 Shares Authorized, 802,300 Shares Issued and Outstanding with an initial liquidation value of \$8,023,000 (Authorized , Issued and Outstanding for the Proforma December 31, 2006) |                     |                     |                |
|   | \$ 802              | \$ --               |                |
| Common Stock - \$.001 Par value, 120,055,746 Shares Authorized, 65,314,732 Shares Issued and Outstanding as of December 31, 2006 on a pro   |                     |                     |                |

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|  |              |              |
|--|--------------|--------------|
| forma basis 67,638,348 Shares Issued and<br>Outstanding as of December 31,2006 | 65,314       | 437          |
| Additional Paid-In Capital   | 7,898,702    | --           |
| Additional Paid-In Capital Series B Preferred                                  | 7,352,858    | --           |
| Additional Paid-In Capital: Sigma Shares                                       | 1,891,955    | --           |
| Additional Paid-In Capital: Welding Shares                                     | --           | --           |
| Retained Earnings (Accumulated Deficit)  | (1,086,273)  | 1,281,774    |
| Proforma net effect of P&L adjustments<br>(see attached schedule below)        | --           | --           |
|  |              |              |
| Total Stockholders' Equity   | 16,123,358   | 1,282,211    |
|  |              |              |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY                                     | \$38,736,016 | \$ 1,673,476 |
|  |              | \$ 5,45      |
|  |              | =====        |

### Notes to Comparative Pro Forma Consolidated & Condensed Balance Sheet

- (a) Represents the net proceeds from sale of SCCF Loan Agreement after completing the purchase of Welding Metallurgy and paying soft costs associated with the acquisition, along with notes of as if the deal was done on 12/31/2006
- (b) Represents the goodwill resulting from the excess of the purchase price paid for the stock of Welding Metallurgy after adjusting the value of the assets acquired and liabilities assumed to reflect the purchase price if the deal was completed on 12/31/2006.
- (c) Represents the payoff of the note to a financial institution satisfied as part of the SPA and the former Officers of Welding Metallurgy if the deal was completed on 12/31/2006.
- (d) Represents the long term portion of the \$2.0 MM note purchase price (due 8/31/2011; with the first installment \$500,000 due 8/24/2008; bearing interest @ 7% per annum commencing 8/24/2008; with quarterly installments thereafter of \$125,000) accepted by the Welding Metallurgy sellers as part of the purchase.
- (e) Represents the elimination the of common stock portion of Welding Metallurgy Stockholders' Equity (\$437) partially offset by the book value (\$2324) of the pro forma 2,323,626 shares that would have been issued to the sellers as part of the purchase price if the transaction had closed on December 31,2006
- (f) Represents the excess over par value of share issued to Welding Metallurgy sellers.
- (g) Represents the pro forma elimination of Welding Metallurgy accumulated surplus \$1,281,774
- (h) Represents interest accrued based on SCCF Loan Agreement \$4.5MM @ prime +6 (14.25%) and elimination of \$2,480 interest on former Welding Met's notes
- (i) Represents 40% estimated tax provision/(benefit) of Welding Met as if it was a C corporation
- (j) Issuance of the demand note SCCF Loan Agreement in connection with the

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Welding Metallurgy acquisition

- (k) Represents adjustment to former Welding Met Officer's salaries (\$1,221,500) and adjusted for one officer now an employee of Air Industries Group, Inc earning \$150,000 annual salary
- (l) Represents the \$2.0mm note resulting from Welding Met acquisition reduced to reflect the accretion of the interest as a result of imputed interest for one year @7% (\$140,000)

Air Industries Group, Inc. (AIRI.ob)  
Unaudited Pro Forma Combined Statement Of Income  
December 31, 2006

|   | AIRI<br>Consolidated | Welding<br>Metallurgy,<br>Inc. |
|---|----------------------|--------------------------------|
|   | -----                | -----                          |
| Net Sales   | \$ 51,024,410        | \$ 4,456,376                   |
| Cost of Sales   | 40,825,436           | 2,011,151                      |
|   | -----                | -----                          |
| Gross Profit  | 10,198,974           | 2,445,225                      |
| Operating costs and expenses                              |                      |                                |
| Selling and marketing                                     | 1,524,858            | 1,012                          |
| General and administrative                                | 6,007,640            | 1,965,338                      |
|   | -----                | -----                          |
| Income (Loss) from operations                             | 2,666,476            | 478,875                        |
| Other (income) and expenses:                              |                      |                                |
| Interest & financing costs (net)                          | 1,230,692            | (51,264)                       |
| Gain on Sale of Life Insurance Policy                     | (53,047)             | --                             |
| Gain on Sale of Real Estate                               | (300,037)            | --                             |
| Other Income  | (435,627)            | --                             |
| Other Expenses  | 247,084              | 425                            |
|   | -----                | -----                          |
| Net Income (Loss) before provision for income taxes       | 1,977,411            | 529,714                        |
| Provision for income taxes                                | 1,232,915            | 211,886 (i)                    |
|   | -----                | -----                          |
| Net Income (Loss)   | \$ 744,496           | \$ 317,828                     |
|   | -----                | -----                          |
| Proforma dividend attributable to preferred stockholders  | 561,610              |                                |
|   | -----                |                                |
| Proforma net earnings attributable to common stockholders | 182,886              |                                |
|   | =====                |                                |
| Earnings per share (basic)                                |                      |                                |
| Earnings per share (diluted)                              |                      |                                |

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Weighted average shares outstanding (basic)

Weighted average shares outstanding (diluted)

### Notes to Comparative Pro Forma Statement Of Operations

- (h) Represents interest accrued based on SCCF Loan Agreement \$4.5MM @ prime +6 (14.25%) and elimination of \$2,480 interest on former Welding Met's notes
- (i) Represents 40% estimated tax provision/(benefit) of Welding Met as if it was a C corporation
- (j) intentionally omitted
- (k) Represents adjustment to former Welding Met Officer's salaries (\$1,221,500) and adjusted for one officer now an employee of Air Industries Group, Inc earning \$150,000 annual salary
- (l) Represents the \$2.0mm note resulting from Welding Met acquisition reduced to reflect the accretion of the interest as a result of imputed interest for one year @7% (\$140,000) imputed interest for one year @7% (\$140,000)
- (m) adjusted for the change in the weighted average shares as a result of the proforma Welding Met Shares

Air Industries Group, Inc. (AIRI.ob)  
 Unaudited Pro Forma Consolidated Comparative Balance Sheet  
 June 30, 2007

|   | AIRI<br>Consolidated<br>----- | Welding<br>Metallurgy,<br>Inc.<br>----- | Adjustments<br>----- |
|---|-------------------------------|---|----------------------|
| <b>ASSETS</b>   |                               |   |                      |
| <b>Current Assets</b>   |                               |   |                      |
| Cash and Cash Equivalents   | \$ 1,010,522                  | \$ 385,595                              | \$ (226,326)         |
| Accounts Receivable (Net of Allowance for<br>Doubtful Accounts of \$244,597 for AIRI) | 6,331,004                     | 534,050                                 |                      |
| Inventory   | 20,360,593                    | 382,851                                 |                      |
| Prepaid Expenses and Other Current Assets   | 261,082                       | -                                       |                      |
| Deposits  | 692,578                       | -                                       | -                    |
|   | -----                         |   |                      |
| Total Current Assets  | 28,655,779                    | 1,302,496                               | (226,326)            |
| Property, Plant, and Equipment, net   | 3,394,883                     | 428,032                                 |                      |
| Deferred Financing Costs  | 346,820                       | -                                       |                      |
| Other Assets  | 486,885                       | -                                       |                      |
| Goodwill  | 6,434,282                     | -                                       | 4,949,634            |
| Income Taxes Receivable   | 60,260                        | -                                       |                      |

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|  |               |              |              |
|--|---------------|--------------|--------------|
| Deposits   | 424,490       | -            |              |
| <hr/>  |               |              |              |
| TOTAL ASSETS   | \$ 39,803,399 | \$ 1,730,528 | \$ 4,723,308 |
| <hr/>  |               |              |              |
| Current Liabilities  |               |              |              |
| Accounts Payable and Accrued Expenses  | \$ 7,501,566  | \$ 187,649   | 103,263 (h   |
| Notes Payable Current Portion  | 127,776       | 83,672       | (83,672)     |
| Notes Payable - Revolver   | 9,899,414     | -            |              |
| Subordinated Note - SCCF   |               |              | 4,500,000    |
| Notes Payable - Sellers AIM- Current Portion   | 192,400       |              |              |
| Notes Payable - Sellers Sigma- Current Portion   | 362,604       | -            |              |
| Notes Payable - Sellers Welding Metallurgy -<br>Current Portion  | -             | -            | 500,000      |
| Capital Lease Obligations - Current Portion  | 166,397       | -            |              |
| Due to Sellers AIM   | -             | -            |              |
| Dividends Payable  | 120,003       | -            |              |
| Deferred Gain on Sale - Current Portion  | 38,033        | -            |              |
| Income Taxes Payable   | -             | -            | 39,790       |
| <hr/>  |               |              |              |
| Total current liabilities  | 18,408,193    | 271,321      | 5,059,381    |
| Long term liabilities  |               |              |              |
| Due to Sellers - Sigma - Net of Current<br>Portion   | -             | -            |              |
| Notes Payable - Net of Current Portion   | 709,070       | 136,641      | (136,641)    |
| Notes Payable - Sellers AIM - Net of Current<br>Portion  | 1,074,573     | -            |              |
| Notes Payable - Sellers Sigma - Net of<br>Current Portion  | 529,100       | -            |              |
| Notes Payable - Sellers Welding Metallurgy -<br>Net of Current Portion   |               |              | 750,000      |
| Capital Lease Obligations - Net of Current<br>Portion  | 776,988       | -            |              |
| Deferred Tax Liability   | 695,379       | -            |              |
| Deferred Gain on Sale - Net of Current<br>Portion  | 694,101       | -            |              |
| Deferred Rent  | 134,487       | -            |              |
| <hr/>  |               |              |              |
| TOTAL LIABILITIES  | \$ 23,021,891 | \$ 407,962   | \$ 5,672,740 |
| Commitments and Contingencies  |               |              |              |
| Stockholders' Equity   |               |              |              |
| Preferred Stock - 8,003,716 shares<br>authorized Series A Convertible<br>Preferred - \$.001 Par value, 1,000<br>Shares authorized, 900 shares Issued<br>and 0 Outstanding                      |               |              |              |
| Series B Convertible Preferred - \$.001 Par<br>value, 2,000,000  | \$ 802        | \$ -         |              |
| Shares Authorized, 802,300 Shares Issued<br>and Outstanding with an initial<br>liquidation value of \$8,023,000<br>(Authorized , Issued and Outstanding for<br>the Proforma December 31, 2006) |               |              |              |
| Common Stock - \$.001 Par value, 120,055,746<br>Shares Authorized, 67,008,507 Shares Issued  |               |              |              |

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|  |               |              |              |
|--|---------------|--------------|--------------|
| and Outstanding as of June 30, 2007 on a pro forma basis 69,100,978 Shares Issued and Outstanding as of June 30,2007 | 67,009        | 437          | 1,655        |
| Additional Paid-In Capital   | 8,942,086     | -            |              |
| Additional Paid-In Capital Series B Preferred  | 7,352,858     | -            |              |
| Additional Paid-In Capital: Sigma Shares   | 1,891,955     | -            |              |
| Additional Paid-In Capital: Welding Shares   | -             | -            | 564,408      |
| Retained Earnings (Accumulated Deficit)  | (1,473,202)   | 1,322,129    | (1,322,129)  |
| Proforma net effect of P&L adjustments (see attached schedule below)   | -             | -            | (193,366)    |
| -----  |               |              |              |
| Total Stockholders' Equity   | 16,781,508    | 1,322,566    | (949,432)    |
| -----  |               |              |              |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY   | \$ 39,803,399 | \$ 1,730,528 | \$ 4,723,308 |
| =====  |               |              |              |

Notes to Comparative Pro Forma Consolidated & Condensed Balance Sheet

- (a) Represents the net proceeds from sale of SCCF Loan Agreement after completing the purchase of Welding Metallurgy and paying soft costs associated with the acquisition, along with notes of Welding Metallurgy as if the deal was done on 6/30/2007
- (b) Represents the goodwill resulting from the excess of the purchase price paid for the stock of Welding Metallurgy after adjusting the value of the assets acquired and liabilities assumed to reflect the purchase price if the deal was completed on 6/30/2007
- (c) Represents the payoff of the note to a financial institution satisfied as part of the SPA and the former Officers of Welding Metallurgy if the deal was completed on 6/30/2007
- (d) Represents the long term portion of the \$2.0 MM note purchase price (due 8/31/2011; with the first installment \$500,000 due 8/24/2008; bearing interest @ 7% per annum commencing 8/24/2008; with quarterly installments thereafter of \$125,000) accepted by the Welding Metallurgy sellers as part of the purchase.
- (e) Represents the elimination the of common stock portion of Welding Metallurgy Stockholders' Equity (\$437) partially offset by the book value (\$2092) of the pro forma 2,092,471 shares that would have been issued to the sellers as part of the purchase price if the transaction had closed on June 30,2007
- (f) Represents the excess over par value of share issued to Welding Metallurgy sellers.
- (g) Represents the pro forma elimination of Welding Metallurgy accumulated surplus \$1,322,566
- (h) Represents interest accrued based on SCCF Loan Agreement \$4.5MM @ prime +6 (14.25%) @ 6 months for 2007 and elimination of \$6,211 interest on former Welding Met's notes
- (i) Represents 40% estimated tax provision/(benefit) of Welding Met as if it was a C corporation

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- (j) Issuance of the demand note SCCF Loan Agreement in connection with the Welding Metallurgy acquisition
- (k) Represents elimination of Welding Met's legal fees @ 6/30/07 (\$61,151)
- (l) Represents adjustment to former Welding Met Officer's salaries @ 6/30/07 (\$225,000) and adjusted for one officer now an employee of Air Industries Group, Inc earning \$150,000 annual salary for six months earning (\$75,000)
- (m) Represents the payment of the first installment of the \$2.0MM note all as principal (\$500K)
- (n) Represents the interest accrual (\$26,250) on residual principal \$1.5MM note (aforementioned \$2.0mm note) after initial \$500K principal payment @ 7% per annum for the first qtr
- (o) Represents the first qtrly payment of principal and interest of \$1.5MM note (aforementioned \$2.0 mm note) (\$125,000 principal and \$26,250 interest)
- (p) Represents the interest accrual (\$24,063) on residual principal \$1.375MM note (aforementioned \$2.0mm note) after initial \$500K principal payment and 1st qtr principal payment of \$125k @ 7% per annum for the second qtr
- (q) Represents the first qtrly payment of principal and interest of \$1.375MM note (aforementioned \$2.0 mm note) (\$125,000 principal and \$24,063 interest)

Air Industries Group, Inc. (AIRI.ob)  
 Unaudited Pro Forma Combined Statement Of Income  
 June 30, 2007

|   | AIRI<br>Consolidated | Welding<br>Metallurgy,<br>Inc. | Adj   |
|---|----------------------|--------------------------------|-------|
|   | -----                | -----                          | ----- |
| Net Sales   | \$ 18,477,666        | \$ 1,798,084                   |       |
| Cost of Sales                                       | 14,856,182           | 970,964                        |       |
|   | -----                | -----                          |       |
| Gross Profit  | 3,621,484            | 827,120                        |       |
| Operating costs and expenses                        |                      |                                |       |
| Selling and marketing                               | 620,878              | -                              |       |
| General and administrative                          | 2,836,412            | 577,201                        |       |
|   | -----                | -----                          |       |
| Income (Loss) from operations                       | 164,194              | 249,919                        |       |
| Other (income) and expenses:                        |                      |                                |       |
| Interest & financing costs (net)                    | 411,823              | (3,132)                        | \$    |
| Gain on Sale of Life Insurance Policy               | -                    | -                              |       |
| Gain on Sale of Real Estate                         | (19,018)             | -                              |       |
| Other Income  | (9,887)              | -                              |       |
| Other Expenses                                      | 25,304               | -                              |       |
|   | -----                | -----                          |       |
| Net Income (Loss) before provision for income taxes | (244,028)            | 253,051                        |       |



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|   |              |             |    |
|---|--------------|-------------|----|
| Provision/(Benefit) for income taxes                    | 142,903      | 101,220 (i) |    |
|   | -----        | -----       |    |
| Net Income (Loss)                                       | \$ (386,931) | \$ 151,831  | \$ |
|   | -----        | -----       |    |
| Less dividend attributable to preferred stockholders    | 110,964      |             |    |
|   | -----        |             |    |
| Net loss attributable to common stockholders            | \$ (497,895) |             |    |
|   | =====        |             |    |
| Loss Per Share (basic and diluted)                      |              |             |    |
| Weighted average shares outstanding (basic and diluted) |              |             |    |

Notes to Comparative Pro Forma Statement Of Operations

- (h) Represents interest accrued based on SCCF Loan Agreement \$4.5MM @ prime +6 (14.25%) @ 6 months for 2007 and elimination of \$6,211 interest on former Welding Met's notes
- (i) Represents 40% estimated tax provision/(benefit) of Welding Met as if it was a C corporation
- (j) intentionally omitted
- (k) Represents elimination of Welding Met's legal fees (\$61,151)
- (l) Represents adjustment to former Welding Met Officer's salaries @ 6/30/07 (\$225,000) and adjusted for one officer now an employee of Air Industries Group, Inc earning \$150,000 annual salary for six months earning (\$75,000)
- (m) intentionally omitted
- (n) Represents the interest accrual (\$26,250) on residual principal \$1.5MM note (aforementioned \$2.0mm note) after initial \$500K principal payment @ 7% per annum for the first qtr
- (o) intentionally omitted
- (p) Represents the interest accrual (\$24,063) on residual principal \$1.375MM note (aforementioned \$2.0mm note) after initial \$500K principal payment and 1st qtr principal payment of \$125k @ 7% per annum for the second qtr
- (q) adjusted for the change in the weighted average shares as a result of the proforma Welding Met Shares

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to its Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 13, 2007

AIR INDUSTRIES GROUP, INC.

By: /s/ Louis A.Giusto

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Name: Louis A.Giusto

Title: Vice Chairman and Chief Financial Officer