AIR INDUSTRIES GROUP
Form 424B5
May 29, 2014

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-191748

Prospectus Supplement
(To Prospectus dated December 11, 2013)

AIR INDUSTRIES GROUP

1,170,000 Shares

Common Stock

We are offering 1,170,000 shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus at a price of $9.00 per share.

Our common stock is traded on the NYSE MKT under the symbol “AIRI.” On May 27, 2014, the last reported sales price of our common stock was $10.66 per share.

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and, as such, we elected to comply with certain reduced public company reporting requirements. Investing in our common stock involves a high degree of risk.

The aggregate market value of our outstanding common stock held by non-affiliates is $53,992,708 based on 5,903,245 shares of outstanding common stock, of which 5,064,982 are held by non-affiliates, and a per share price of $10.66 based on the closing sale price of our common stock on May 27, 2014. We have not offered any securities pursuant to General Instruction I.B.6. of Form S-3 during the prior 12 calendar month period that ends on and includes the date of this prospectus.

Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties referenced under the heading “Risk Factors” on page S-6 of this prospectus and on page 6 of the accompanying prospectus, and in the other documents that are incorporated by reference into this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Offering price	$ 9.00	$ 10,530,000
Placement agent’s fees (1)(2)	$ 0.72	$ 842,400
Proceeds to us, before expenses	$ 8.28	$ 9,687,600

(1) In addition to the placement agent fee listed in the table above, we have agreed to reimburse the placement agent for certain of its expenses with respect to this offering as described under “Plan of Distribution (Conflict of Interest)” on page S-12 of this prospectus supplement.

(2) Does not include a cash fee of $50,000 and expense reimbursement payable to National Securities Corporation for acting as a qualified independent underwriter in accordance with FINRA Rule 5121.

We estimate the expenses of this offering, excluding placement agent fees, will be approximately $211,118.

We have retained Taglich Brothers, Inc. to act as our exclusive placement agent for this offering. We have agreed to pay the placement agent the placement agent fee set forth in the table above, which assumes that we sell all of the securities we are offering. The placement agent is not required to arrange for the sale of any specific number of securities or dollar amount but will use reasonable best efforts to arrange for the sale of the securities. Under the rules of the Financial Industry Regulatory Authority, or FINRA, Taglich Brothers, Inc. has a conflict of interest in offering our shares of common stock since Taglich Brothers, Inc. and its affiliates own approximately 13.23% of our outstanding shares and certain directors and officers of Taglich Brothers, Inc. are members of our Board of Directors. Due to this conflict of interest, we have retained National Securities Corporation to act as a qualified independent underwriter in accordance with FINRA Rule 5121. See “Plan of Distribution (Conflict of Interest)” on page S-12 of this prospectus supplement.

We expect that delivery of the shares will be made to investors on or about June 3, 2014.

TAGLICH BROTHERS, INC.

Prospectus supplement dated May 28, 2014

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Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

On October 16, 2013, we filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-3 (File No. 333-191748) utilizing a shelf registration process relating to the securities described in this prospectus supplement, which registration statement, as amended, became effective on December 11, 2013. Under this shelf registration process, we may, from time to time, sell common stock and other securities, including the securities to be sold in this offering. As of May 27, 2014, the aggregate market value of our common stock held by non-affiliates was approximately $53,992,708 based on 5,064,982 shares of outstanding common stock, excluding 838,263 shares held by affiliates, and a price of $10.66 per share, which was the last reported sale price of our common stock as quoted on the NYSE MKT on that date. We have not offered any securities pursuant to General Instruction I.B.6 of Form S-3 during the prior 12 month calendar period that ends on, and includes, the date of this prospectus supplement.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in another document having a later date — for example, a document incorporated by reference in the accompanying prospectus — the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in the prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents identified under the headings “Incorporation of Certain Documents by Reference” and “Where You Can Find Information About Us.”

We have not authorized anyone to give any information or make any representation about us that is different from or in addition to, that contained in this prospectus supplement and the accompanying prospectus or in any of the materials that we have incorporated by reference into this prospectus supplement and the accompanying prospectus. See “Incorporation of Certain Documents by Reference.” Therefore, if anyone gives you information of this sort, you should not rely on it as authorized by us. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus supplement and the accompanying prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus supplement and the accompanying prospectus does not extend to you. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than as of the date of this prospectus supplement or the accompanying prospectus, as the case may be, or in the case of the documents incorporated by reference, the date of such documents regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of our securities. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

As used, or incorporated by reference, in this prospectus, unless otherwise stated or the context requires otherwise, the "Company" and terms such as "we," "us" "our," and "AIRI" refer to Air Industries Group, a Nevada corporation, and prior to August 30, 2013, Air Industries Group, Inc., a Delaware corporation, and our directly and indirectly wholly-owned subsidiaries: Gales Acquisition Group, Inc., a Delaware corporation, Air Industries Machining, Corp., a New York corporation ("AIM"), Welding Metallurgy, Inc., a New York corporation ("Welding Metallurgy," or "WMI"), Nassau Tool Works, Inc., a New York corporation ("NTW"), Miller Stuart, Inc., a New York corporation ("Miller Stuart"), Woodbine Products, Inc. ("Woodbine") and for periods prior to its divestiture in December 2010, Sigma Metals, Inc. ("Sigma Metals" or "Sigma").

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the "Risk Factors" section contained in this prospectus supplement, our consolidated financial statements and the related notes thereto and the other documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Overview

We are an aerospace and defense company operating primarily in the defense industry, though the proportion of our business represented by the commercial sector is increasing. We design and manufacture structural parts and assemblies that focus on flight safety, including landing gear, arresting gear, engine mounts, flight controls, throttle quadrants, Nacelle Struts which transmit the thrust of a jet engine to the body of the aircraft and other components. We also provide sheet metal fabrication of aerostructures, tube bending and welding services. Our products are currently deployed on a wide range of high profile military and commercial aircraft including Sikorsky's UH-60 Blackhawk helicopter, Lockheed Martin's F-35 Joint Strike Fighter, Northrop Grumman's E2D Hawkeye, Pratt & Whitney's Gear fan jet engine, the US Navy F-18 and USAF F-16 fighter aircraft, and in the commercial sector, Boeing's 777, Airbus' 380 commercial airliners, and other commercial airliners.

We were incorporated in Nevada on July 9, 2013 and are successor by merger on August 30, 2013 to our former corporate parent, Air Industries Group, Inc., a Delaware corporation organized in November 2005 in connection with the acquisition of AIM. In June 2007, we changed our name to Air Industries Group, Inc. In addition to growing organically at AIM, we acquired Sigma Metals in April 2007, Welding Metallurgy in August 2007, acquired the business now operated by NTW in an asset acquisition in June 2012 and in an asset acquisition, acquired the assets of Decimal Industries, Inc. on July 1, 2013. On November 6, 2013, we acquired 100% of the stock of Miller Stuart. On April 1, 2014, we acquired 100% of the stock of Woodbine. In October 2008, we discontinued the operations of Sigma Metals, and subsequently, liquidated or otherwise disposed of its assets. The assets acquired from Decimal Industries have been incorporated into the operations of Welding Metallurgy. For the immediate future, Miller Stuart will be operated as a separate business unit.

AIM has manufactured components and subassemblies for the defense and commercial aerospace industry for over 40 years and has established long term relationships with leading defense and aerospace manufacturers such as Boeing, Goodrich Landing Gear, Lockheed Martin, and Northrop Grumman. AIM manufactures machined aircraft parts and subassemblies for many of the major aircraft platforms in the industry. AIM's customers include original equipment manufacturers, or OEMs, and members of the defense and commercial aerospace industry supply chains, including Sikorsky, Goodrich Landing Gear, Lockheed Martin, Boeing, and Northrop Grumman. AIM is based in Bay Shore, Long Island, New York.

WMI has provided specialty welding services and metal fabrications to the defense and commercial aerospace industry since 1979 and as a result of the acquisition of the assets of Decimal Industries now also manufactures welded and brazed chassis structures housing electronics, radars, and avionics in aircraft. Its customers include GKN Corporation, Sikorsky, Lockheed Martin, Boeing and Northrop Grumman. WMI is based in Hauppauge, Long Island, New York.

The predecessor of NTW was founded in 1959. NTW's principal business is the fabrication and assembly of landing gear components and complete landing gear for fighter aircraft for the US and foreign governments. NTW also performs sub-contract machining for other aerospace manufacturers, including Air Industries. NTW is located in West

Babylon, Long Island, New York.

Decimal was founded in 1968, and it principal business is the fabrication of precision sheet metal assemblies for the aerospace industry. Miller Stuart was founded in 1966 and is a manufacturer of aerospace components whose customers include major aircraft manufacturers and the US Military. Miller Stuart specializes in electromechanical systems, harness and cable assemblies, electronic equipment and printed circuit boards. Woodbine, founded in 1954, is a manufacturer of aerospace components whose customers include major aircraft component suppliers.

Our Business Strategy

Since the 1990s, the aerospace and defense industries have undergone radical consolidation. The largest prime contractors have merged or been acquired resulting in fewer, and much larger, entities. Some examples are Boeing which acquired McDonnell Douglas; Lockheed Martin, formed by Lockheed's acquisition of Martin Marietta, together with the aerospace divisions of General Dynamics; Northrop Grumman, which fused together Northrop, Grumman, Westinghouse and Litton Industries into one entity. Where once there were nine companies there are now just three.

The consolidation of the prime contractors has caused a similar consolidation of suppliers. Major contractors seek to streamline supply chains by buying both larger quantities and more complete sub-assemblies from fewer suppliers. This has led to increased competitive pressure on many smaller firms. To survive in this environment, suppliers must invest in systems and infrastructures capable of interfacing with and meeting the needs of prime contractors. Suppliers with $15-$100 million in annual sales, referred to as the “Tier III and IV Manufacturing Sector,” must become fully capable of working interactively in a computer aided three dimensional automated engineering environment and must have independent third party quality system certifications. We believe this industry trend will increase pressure on smaller aerospace/defense critical component manufacturers, the Tier III and IV suppliers, as the cost of upgrading their systems to achieve the level of interactivity necessary to work with prime contractors, to the extent they have not already done so, will adversely impact their profit margins. Our acquisitions of WMI and MSI, and the NTW Acquisition are part of our strategy to react to this market environment.

We intend to increase our business through internal growth and accretive acquisitions. Our ability to make acquisitions is dependent, in part, on our available cash and upon our ability to raise debt or equity as necessary to complete any acquisition. We recently acquired Woodbine Products, Inc., a Long Island based manufacturer of aerospace components whose customers include suppliers of major aircraft component suppliers for a purchase price of $2,400,000 in cash, subject to adjustment, plus 30,000 shares of our common stock. Currently, we are in the later stages of negotiations with two acquisition candidates. One of the acquisition candidates is a fabricator of sheet metal components using drop hammer and hydro-forming machinery located in the Southwestern United States (the “SW Target”). The SW Target is currently a supplier of components to WMI. Its other customers include major aerospace companies, some of which already do business with us. In addition, we anticipate that in the foreseeable future we will enter into a contract with the shareholders of NE Target. Located in New England, NE Target is a logistics company which aggregates products and assembles kits of equipment for the U.S. Military and Government.

For the year ended December 31, 2013, the two targets had combined revenues of approximately $10.8 million and combined EBITDA, after adjustment for owners’ compensation, of approximately $1.55 million. We anticipate that a portion of the proceeds of this offering will be used to complete one or more of the acquisitions.

As of the date hereof there is no binding contract with the targets or the shareholders of any of the targets and there can no assurance that either or both of the two potential transactions will be consummated on the terms described above, or at all. Our ability to complete any or all of the potential acquisitions is subject to the consent of our lender and our ability to increase our debt or raise equity. The issuance of the shares offered by this prospectus supplement, and any other offering of our common stock, or securities convertible into, exercisable or exchangeable for shares of our common stock, will result in an increase in the number of our shares outstanding, diluting the interests of our current shareholders. Nevertheless, given that the two acquisitions are anticipated to be accretive to our earnings per share, we believe it is in the best interests of our shareholders to complete the acquisitions if appropriate financing can be obtained.

Recent Developments

On April, 1, 2014, WMI acquired the outstanding shares of Woodbine for $2,400,000 in cash, subject to adjustment, plus 30,000 restricted shares of our common stock.

In connection with the acquisition of Woodbine, we, our wholly-owned subsidiaries and Woodbine entered into the Third Amendment to our Amended and Restated Loan and Security Agreement with PNC Bank, N.A. (the "PNC Loan Agreement") adding Woodbine as a borrower and increasing the Term Loan under the PNC Loan Agreement from $1,347,630.50 to $2,676,183.20, payable in thirty two (32) consecutive monthly principal installments, the first thirty one (31) of which shall be in the amount of $31,859.32 commencing on May 1, 2014, and continuing on the first day of each month thereafter, with a thirty second (32nd) and final payment of any unpaid balance of principal and interest payable on November 30, 2016.

Company History and Corporate Information

We are headquartered in Bay Shore, New York. We were incorporated in Nevada on July 9, 2013 and are successor by merger on August 30, 2013 to our former corporate parent, Air Industries Group, Inc., a Delaware corporation organized in November 2005 in connection with the acquisition of AIM. Our principal offices are located at 1479 North Clinton Avenue, Bay Shore, New York 11706 and our telephone number is (631) 968-5000. All of our subsidiaries are located within a 10 mile radius from our headquarters. Our principal website is http://www.airindustriesgroup.com. The information contained on our website is not incorporated by reference into, and does not form any part of, this prospectus supplement or the accompanying prospectus. We have included our website address as a factual reference and do not intend it to be an active link to our website. Our common stock is listed on the NYSE MKT and trades under the symbol "AIRI." Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, are available free of charge through the "Investors—SEC Filings" section of our website as soon as reasonably practicable after such materials have been electronically filed with, or furnished to, the SEC.

The Offering

Common stock offered by us	1,170,000 shares
Common stock to be outstanding after this offering	7,073,245 shares
Price per share of common stock	$9.00
Use of proceeds	We intend to use the proceeds from this offering for general corporate purposes, which may include, among other things, repayment of debt, the financing of possible acquisitions and working capital. See "Use of Proceeds" on page S-8 of this prospectus supplement.
Conflict of Interest	Under the rules of the Financial Industry Regulatory Authority, or FINRA, Taglich Brothers, Inc., the placement agent in this offering, has a conflict of interest in offering our shares of common stock since Taglich Brothers, Inc. and its affiliates own approximately 13.23% of our outstanding shares and certain directors and officers of Taglich Brothers, Inc. are members of our Board of Directors. Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121(a)(2), which requires that a "qualified independent underwriter" as defined in FINRA Rule 5121(f)(5), participate in the preparation of the registration statement and prospectus and exercise its usual standards of due diligence in respect thereto. National Securities Corporation is assuming the responsibilities of acting as the qualified independent underwriter in this offering and is undertaking the legal responsibilities and liabilities of an underwriter under the Securities Act of 1933, as amended, or the Securities Act, specifically including those inherent in Section 11 of the Securities Act. See "Plan of Distribution (Conflict of Interest)" on page S-12 of this prospectus supplement for more information.
Risk factors	Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page S-6 of this prospectus supplement and page 6 of the accompanying prospectus.
NYSE MKT	AIRI

The number of shares to be outstanding after this offering is based on 5,903,245 shares of common stock outstanding as of May 27, 2014. It does not include:

- 431,332 shares of our common stock issuable upon exercise of stock options outstanding as of May 27, 2014 under our equity incentive plans as of that date, at a weighted average exercise price of $9.36 per share;
- 482,253 shares of our common stock are available as of May 27, 2014 for future grant or issuance pursuant to our 2013 stock-based plan for employees, directors and consultants; and
- 125,385 shares of common stock issuable upon the exercise of warrants outstanding as of May 27, 2014 at a weighted-average exercise price of $6.49 per share.

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise of the placement agent's warrants to purchase up to 46,800 shares of common stock at an exercise price of $11.25 per share described on page S-13 of this prospectus supplement.

Statement of Operations Data

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2012	2014	2013
Net Sales	$62,833,000	$64,215,000	$15,453,000	$14,325,000
Cost of Sales	47,598,000	49,357,000	11,408,000	10,678,000
Gross Profit	15,235,000	14,858,000	4,045,000	3,647,000
Operating and interest cost	11,962,000	10,717,000	3,119,000	2,854,000
Other income (expense) net	296,000	(146,000)	(1,000)	(25,000)
Income taxes (benefit)	(170,000)	1,447,000	584,000	489,000
Net Income	3,739,000	2,548,000	341,000	279,000
Income per share-basic	0.65	0.54	0.06	0.05
Income per share-diluted	0.63	0.54	0.06	0.05
Weighted average shares outstanding-basic	5,739,014	4,680,581	5,863,654	5,711,093
Weighted average shares outstanding-diluted	5,932,726	4,759,246	6,125,909	5,809,572

Balance Sheet Data

	March 31, 2014	December 31, 2013
Cash and cash equivalents	$687,000	$561,000
Working capital	13,301,000	12,531,000
Total assets	54,554,000	50,172,000
Total liabilities	33,494,000	28,559,000
Total stockholders' equity	21,060,000	21,613,000

RISK FACTORS

An investment in our common stock involves a high degree of risk. Before deciding whether to invest in our common stock, you should consider carefully the risks discussed under the section captioned "Risk Factors" contained in our most recent annual report on Form 10-K, as revised or supplemented by our subsequent quarterly reports on Form 10-Q and our current reports on Form 8-K on file with the SEC, all of which are incorporated herein by reference, and which may be amended, supplemented or superseded from time to time by other reports we file with the SEC which are incorporated by reference in the prospectus supplement and the accompanying prospectus in their entirety, together with other information in this prospectus supplement, the accompanying prospectus and the information and documents incorporated by reference. If any of these risks actually occurs, our business, financial condition, results of operation or cash flow could be seriously harmed. This could cause the trading price of our common stock to decline, resulting in a loss of all or part of your investment.

Risk Factors Related to this Offering

Management will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

We have not designated the amount of net proceeds from this offering to be used for any particular purpose. Accordingly, our management will have broad discretion as to the application of the net proceeds from this offering and could use them for purposes other than those contemplated at the time of this offering. Our stockholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management may use the net proceeds for corporate purposes that may not increase our profitability or market value.

Investors in this offering will experience immediate substantial dilution in the net tangible book value per share.

You will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering because the price per share of our common stock being offered hereby is substantially higher than the book value per share of our common stock. Our net tangible book value as of March 31, 2014 was approximately $2.51 per share of common stock. Based on an offering price of $9.00 per share in this offering, if you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of $5.56 per share in the net tangible book value of the common stock.

A large number of shares may be sold in the market following this offering, which may depress the market price of our common stock.

All of the shares of our common stock sold in the offering will be freely tradable without restriction or further registration under the Securities Act. As a result, a substantial number of shares of our common stock may be sold in the public market following this offering, which may cause the market price of our common stock to decline. If there are more shares of common stock offered for sale than buyers are willing to purchase, then the market price of our common stock may decline to a market price at which buyers are willing to purchase the offered shares of common stock and sellers remain willing to sell the shares.

The increase in the number of our shares outstanding as a result of this offering will increase the amount of cash necessary to maintain our quarterly dividend.

We have sold 1,170,000 shares in the offering being conducted pursuant to this prospectus supplement. We have paid a cash dividend every quarter since the fourth quarter of 2012. Our most recently quarterly dividend, in the amount of $0.15 per share, was paid on April 22, 2014. Increasing the number of our shares outstanding by the 1,170,000 shares sold in this offering will increase by $175,500, the amount of cash that will be required to be devoted to the payment of dividends each quarter, assuming we are to maintain our current quarterly dividend of $0.15 per share.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents we have filed with the SEC that are incorporated by reference contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements, which in some cases, you can identify by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions i identify forward-looking statements, relate to future events or to our future operating or financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These statements include statements regarding our operations, cash flows, financial position and economic performance including, in particular, future sales, product demand, competition and the effect of economic conditions. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties.

Although we believe that these statements are based upon reasonable assumptions, including projections of orders, sales, operating margins, earnings, cash flow, research and development costs, working capital, capital expenditures, distribution channels, profitability, new products, adequacy of funds from operations, and general economic conditions, these statements and other projections contained herein, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, and expressing opinions about future outcomes and non-historical information, are subject a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change and, therefore, there is no assurance that the outcomes expressed in these statements will be achieved. Some of the assumptions, future results and levels of performance expressed or implied in the forward-looking statements we have made or may make in the future inevitably will not materialize, and unanticipated events may occur which will affect our results. Investors are cautioned that forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from the expectations expressed in forward- looking statements contained herein. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks and uncertainties in greater detail under the heading “Risk Factors” on page S-6 of this prospectus supplement and page 6 of the accompanying prospectus and in our SEC filings, including those discussed in “Item 1A: Risk Factors” of Our Annual Report on form 10-K for the year ended December 31, 2013, as well as in our consolidated financial statements, related notes, and the other financial information appearing in Our 2013 Annual Report.

You should read this prospectus supplement, the accompanying prospectus and the documents we have filed with the SEC that are incorporated by reference completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in the foregoing documents by these cautionary statements. Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the shares of our common stock we are offering will be $9,476,482, based on the offering price of $9.00 per share, and after deducting the placement agent fees and $211,118 of estimated offering expenses payable by us, including $50,000 and expense reimbursement of up to $10,000 payable to National Securities Corporation for acting as a qualified independent underwriter in accordance with FINRA Rule 5121.

We intend to use the proceeds from this offering for general corporate purposes, which may include, among other things, repayment of debt, the financing of possible acquisitions and working capital. Pending the application of the net proceeds, we may invest the proceeds in marketable securities and short-term investments.

We have not yet determined the amount of net proceeds to be used specifically for any of the foregoing purposes. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds from this offering. Pending any use, as described above, we intend to invest the net proceeds in high-quality, short-term, interest-bearing securities.

PRICE RANGE OF COMMON STOCK

Our common stock is listed on NYSE MKT under the symbol "AIRI." The last reported sale price for our common stock on May 27, 2014 was $10.66 per share. The table below sets forth information on the range of high and low sales prices for our common stock during the periods indicated.

	High		Low	
Quarter Ended March 31, 2012	$	9.64	$	2.95
Quarter Ended June 30, 2012	$	6.27	$	3.17
Quarter Ended September 30, 2012	$	6.27	$	5.50
Quarter Ended December 31, 2012	$	12.00	$	5.70
Quarter Ended March 31, 2013	$	7.27	$	6.00
Quarter Ended June 30, 2013(1)	$	6.24	$	5.97
Quarter Ended September 30, 2013	$	5.97	$	7.91
Quarter Ended December 31, 2013	$	9.50	$	7.61
Quarter Ended March 31, 2014	$	9.64	$	7.97
Quarter Ended June 30, 2014 (through May 27, 2014)	$	12.48	$	9.50

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(1) Our common stock commenced trading on the NYSE MKT on June 12, 2013. Prior to June 12, 2013, our common stock was quoted on OTC Bulletin Board under the symbol "AIRI." Prior to February 11, 2013, our common stock was quoted on OTC Pink under the symbol "AIRI.PK."

Dividend Policy

On both April 1 and July 5, 2013, we paid dividends of $0.0625 per share on our common stock. On both October 15, 2013 and January 9, 2014, we paid dividends of $0.125 per share on our common stock. On April 22, 2014, we paid a dividend of $0.15 per share on our common stock. We intend to continue to pay dividends in each of the remaining fiscal quarters of 2014 and thereafter. However all determinations relating to our dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions and future prospects and other factors the Board of Directors may deem relevant. Further, the payment of any cash dividends requires compliance with financial covenants of the loan agreement with our principal lender.

DILUTION

If you purchase shares of our common stock in this offering, your interest will be diluted to the extent of the difference between the offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. Our net tangible book value as of March 31, 2014 was $14,745,000, or $2.51 per share of common stock. “Net tangible book value” is total assets minus the sum of liabilities and intangible assets (including intangible assets, goodwill, deferred tax assets and deferred finance costs). “Net tangible book value per share” is net tangible book value divided by the total number of shares of common stock outstanding.

After giving effect to the sale by us of 1,170,000 shares of our common stock in this offering at an offering price of $9.00 per share, and after deducting the placement agent fees, the fees of National Securities Corporation for acting as a qualified independent underwriter and $161,118 of estimated offering expenses that we will pay, our net tangible book value as of March 31, 2014 would have been $24,221,482, or $3.44 per share of common stock. This amount represents an immediate increase in net tangible book value of $0.89 per share to existing stockholders and an immediate dilution of $5.56 per share to purchasers in this offering. In computing net tangible book value as of March 31, 2014, and as adjusted to give effect to this offering, we have not included in the number of shares outstanding as of March 31, 2014, and as adjusted, 39,457 shares issued subsequent to March 31, 2014.

The following table illustrates dilution:

Offering price per unit			$	9.00
Net tangible book value per share as of March 31, 2014	$	2.51		
Increase in net tangible book value per share after this offering	$	0.93		
Pro forma net tangible book value per share after this offering			$	3.44
Dilution per share to new investors in this offering			$	5.56

The above table is based on 5,863,788 shares outstanding as of March 31, 2014 and excludes, as of that date:

- 426,832 shares of our common stock subject to outstanding options having a weighted average exercise price of $9.34 per share; and
- 115,385 shares of common stock issuable upon the exercise of warrants outstanding at a weighted-average exercise price of $6.30 per share.

To the extent that any outstanding options or warrants are exercised, new options are issued under our 2013 Equity Stock Incentive Plan, or we otherwise issue additional shares of common stock in the future, at a price less than the public offering price, there will be further dilution to new investors.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2014 on:

- an actual basis; and
- on an as adjusted basis to reflect our receipt of the estimated net proceeds from our sale of 1,170,000 shares of our common stock in the offering at an offering price of $9.00 per share, after deducting estimated offering expenses payable by us.

	Actual	As Adjusted
Stockholders' equity :		
Preferred stock, $0.001 par value, 1,000,000 shares authorized,; 0 shares issued and outstanding, actual and as adjusted	$ —	$ —
Common stock, $0.001 par value, 25,000,000 shares authorized, 5,863,788 shares issued and outstanding, actual; 7,033,788 shares issued and outstanding, as adjusted.	6,000	7,000
Additional paid-in capital	35,905,000	45,380,000
Accumulated deficit	(14,851,000)	(14,851,000)
Long term liabilities		
Notes Payable and Capitalized Lease Obligation - Net of Current Portion	3,219,000	3,219,000
Lease Impairment - Net of Current Portion	40,000	40,000
Deferred Gain on Sale - Net of Current Portion	437,000	437,000
Deferred Rent	1,151,000	1,151,000
Total stockholders' equity	$ 21,060,000	$ 30,536,000

The actual and as adjusted number of shares to be outstanding immediately after this offering as shown above is based on 5,863,788 shares outstanding as of March 31, 2014 and excludes 39,457 shares issued subsequent to March 31, 2014, and as of that date:

- 426,832 shares of our common stock subject to outstanding options having a weighted average exercise price of $9.34 per share;
- 115,385 shares of common stock issuable upon the exercise of warrants outstanding at a weighted-average exercise price of $6.30 per share.

PLAN OF DISTRIBUTION (CONFLICT OF INTEREST)

We have entered into a placement agent agreement, dated as of May 28, 2014 with Taglich Brothers, Inc., or Taglich Brothers. Subject to the terms and conditions contained in the placement agent agreement, Taglich Brothers has agreed to act as the placement agent in connection with the sale of up to 1,170,000 shares of our common stock. The placement agent is not purchasing or selling any securities by this prospectus supplement or the accompanying prospectus, nor is it required to arrange the purchase or sale of any specific number or dollar amount of the securities, but it has agreed to use its best efforts to solicit purchasers for the securities in this offering. There is no required minimum number of shares of common stock that must be sold as a condition to completion of the offering.

We will enter into subscriptions agreements directly with investors in connection with this offering, and we will only sell to investors who have entered into the subscription agreement. Our obligation to issue and sell shares of our common stock to investors is subject to the conditions set forth in the subscription agreement, which may be waived by us in our discretion. An investor's obligation to purchase shares of our common stock is subject to conditions set forth in the subscription agreement, which may be waived by the investor.

Unless investors instruct us otherwise, we will deliver the shares of common stock being issued to the investors electronically upon receipt of investor funds for the purchase of the shares of our common stock offered pursuant to this prospectus supplement. We expect to deliver the shares of our common stock being offered pursuant to this prospectus supplement on or about June 3, 2014.

We have agreed to pay Taglich Brothers, our placement agent, placement agent commissions and fees in an amount equal to 8.0% of the aggregate proceeds of this offering. The following table shows the estimated per share and total cash fees we will pay to Taglich Brothers, Inc. in connection with the sale of the shares of common stock offered pursuant to this prospectus supplement and the accompanying prospectus.

Per share placement agent fees	$ 0.72(1)
Total	$ 842,400

(1) Does not include expense reimbursements of up to 0.71225 % of the gross proceeds received by us in the Offering to the placement agent, which includes the placement agent's counsel fees and expenses related to the FINRA review in connection with this offering.

However, because there is no minimum offering amount required as a condition to closing of this offering, the actual total offering commissions, if any, may be substantially less than the total offering amounts set forth above. We estimate the total expenses of this offering, excluding the placement agency fees and fees payable to our "qualified independent underwriter," National Securities Corporation, as discussed below, will be approximately $161,118.

The total compensation payable to Taglich Brothers and National Securities Corporation in connection with this offering, and as further discussed below, will not exceed 11.8157% of the total gross proceeds raised in this offering in the case the offering size is less than $9 million.

The placement agent agreement provides that the obligations of the placement agent are subject to certain conditions precedent, including the absence of any material adverse changes in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our auditors.

We have agreed to indemnify the placement agent and specified other persons against certain civil liabilities, including liabilities under the Securities Act or the Exchange Act, and to contribute to payments that the placement agent may be required to make in respect of such liabilities.

Our officers and directors have signed lock-up agreements, pursuant to which they have agreed to not, directly or indirectly, offer, sell, agree to sell or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exchangeable for shares of our common stock, without the prior written consent of Taglich Brothers, for a period of 180 days after the date of this prospectus supplement.

Placement Agent's Warrants

We have agreed to privately issue to Taglich Brothers, as placement agent, warrants to purchase up to 46,800 shares of common stock, which is 4.0% of the shares sold in this offering as additional compensation. The shares issuable upon exercise of these warrants are identical to those offered by this prospectus. The warrants are exercisable for cash or on a cashless basis at per share exercise price equal to $11.25, which is 125% of the price per share for the shares of common stock being sold in this offering, commencing on a date which is one year from the date of the commencement of sales of this offering and expiring on a date which is no more than five years from the date of the commencement of sales of this offering in compliance with FINRA Rule 5110(f)(2)(H)(i). The warrants and the shares of common stock underlying the warrants have been deemed compensation by FINRA and are, therefore, subject to a 180-day lock-up pursuant to Rule 5110(g)(1) of FINRA. The placement agent (or permitted assignees under the Rule) will not sell, transfer, assign, pledge or hypothecate these warrants or the securities underlying these warrants, nor will it engage in any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of these warrants or the underlying securities for a period of 180 days after the date of the commencement of sales of this offering. In addition, the warrants provide for registration rights upon request, in certain cases. The demand registration right provided will not be greater than five years from the date of the commencement of sales of this offering in compliance with FINRA Rule 5110(f)(2)(H)(iv). The piggyback registration right provided will not be greater than seven years from the date of the commencement of sales of this offering in compliance with FINRA Rule 5110(f)(2)(H)(v). We will bear all fees and expenses attendant to registering the securities issuable on exercise of the warrants, other than underwriting commissions incurred and payable by the holders. The exercise price and number of shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary cash dividend or our recapitalization, reorganization, merger or consolidation. However, the warrant exercise price or underlying shares will not be adjusted for issuances of common stock at a price below the warrant exercise price.

Conflict of Interest

Under the rules of the Financial Industry Regulatory Authority, or FINRA, Taglich Brothers has a conflict of interest in offering our shares of common stock since Taglich Brothers and its affiliates own approximately 13.23% of our outstanding shares. Michael N. Taglich, the Chairman of our board of directors, is the president and chairman of Taglich Brothers, Robert F. Taglich, a member of our board of directors, is a managing director of Taglich Brothers, and Robert Schroeder, a member of our board of directors is vice president - Investment Banking of Taglich Brothers. Messrs. Michael N. Taglich and Robert F. Taglich are brothers. Due to this conflict of interest, this offering will be made in compliance with the provisions of Rule 5121(a)(2) of FINRA which requires that a "qualified independent underwriter" as defined in Rule 5121(f)(12) of FINRA Rules, participate in the preparation of the registration statement and prospectus and exercise its usual standards of due diligence in respect thereto. National Securities Corporation is assuming the responsibilities of acting as the qualified independent underwriter in this offering and is undertaking the legal responsibilities and liabilities of an underwriter under the Securities Act of 1933, as amended, specifically including those inherent in Section 11 thereunder. National Securities Corporation will receive $50,000 in cash and expense reimbursement in an amount not to exceed $10,000 as compensation for serving as qualified independent underwriter; provided, however, that if the gross proceeds from this offering is less than $9 million, we will only be responsible to pay the QIU 0.5556% of the gross proceeds of this offering as compensation for its services and up to 0.1111% of the gross proceeds of the offering as expense reimbursement and Taglich Brothers will be responsible to pay the balance out of its own commission received in this offering. We have agreed to indemnify National Securities Corporation against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.

Affiliations

Taglich Brothers, the placement agent for this offering, acted as agent for a private placement of our securities that was closed in October 2013, and received $20,000 as cash compensation.

We and Taglich Brothers have entered into a capital markets advisory agreement pursuant to which Taglich Brothers provides us, on a non-exclusive basis, business advisory services for a monthly fee of $7,000, a warrant to purchase 10,000 shares of our common stock at an exercise price of $8.72 per share, vesting quarterly over a one-year period and any reasonable out of pocket expenses. Such advisory services fees, warrant and expense reimbursements received and to be received during the 180-day period preceding the date of the commencement of sales of this offering through 90 days following the date of the commencement of sales of this offering are deemed items of value in connection with the offering in an aggregate amount of approximately 0.8229 % of the gross proceeds of this offering.

In addition, Michael N. Taglich, serves as the Chairman of our board of directors for which he receives $57,500 annual cash compensation and options to purchase 3,000 shares of our common stock annually. Robert F. Taglich serves as a member of our board of directors for which he receives $57,500 annual cash compensation and options to purchase 3,000 shares of our common stock annually and Robert Schroeder serves as a member of our board of directors for which he receives $24,000 annual cash compensation and options to purchase 3,000 shares of our common stock annually. The options to purchase common stock received and to be received by Messrs. Michael T. Taglich, Robert F. Taglich and Robert Schroeder during the 180-day period preceding the date of the commencement of sales of this offering through 90 days following the date of the commencement of sales of this offering are deemed items of value in connection with the offering in an aggregate amount of approximately 0.1545% of the gross proceeds of this offering. In addition, the total cash compensation received and to be received by Mr. Robert F. Taglich that is in excess of the cash compensation received and will be received by other members of the board of directors during the 180-day period preceding the date of the commencement of sales of this offering through 90 days following the date of the commencement of sales of this offering deemed item of value in connection with the offering in an aggregate amount of approximately 0.3181% of the gross proceeds of this offering.

Taglich Brothers and Messrs. Michael N. Taglich, Robert F. Taglich and Robert Schroeder are subject to lock-up restrictions, with respect to the options received as compensation for serving on our board of directors and the warrant to purchase 10,000 shares under the capital markets advisory agreement, of 180 days immediately following the date of the commencement of sales of this offering, pursuant to which such individual will not (1) sell, transfer, assign, pledge or hypothecate these shares or (2) cause these shares to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the Shares, in each case in accordance with FINRA Conduct Rule 5110(g)(1), and except as provided for in FINRA Rule 5110(g)(2).

The total compensation payable to Taglich Brothers and the QIU in connection with this offering will not exceed 11.8157% of the total gross proceeds raised in this offering in the case the offering size is less than $9 million.

Furthermore, we and Taglich Brothers have entered into a research distribution agreement, under which Taglich Brothers receive a monthly fee of $1,500 for at least six months following the offering.

The placement agent or its affiliates may in the future provide investment banking, commercial banking and/or other services to us from time to time, for which they may in the future receive customary fees and expenses.

Our common stock is traded on the NYSE MKT under the symbol “AIRI.”

The placement agent may distribute this prospectus supplement and the accompanying prospectus electronically.

The placement agent agreement is included as an exhibit to a Current Report on Form 8-K that we have filed with the SEC and that is incorporated by reference into the registration statement of which this prospectus supplement forms a part.

This prospectus supplement and the accompanying base prospectus may be made available in electronic format on websites or through other online services maintained by the placement agent, or by an affiliate. Other than this prospectus supplement and the accompanying base prospectus, the information on the placement agent's website and any information contained in any other website maintained by the placement agent is not part of this prospectus supplement and the accompanying base prospect