WATER CHEF INC
Form 10KSB
April 15, 2008

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

FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Year Ended December 31, 2007

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ---------- to ----------

Commission file number: 0-30544

WATER CHEF, INC
(Name of small business issuer in its charter)

DELAWARE	86-0515678
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

68 South Service Road, Suite 100 MELVILLE, NY	11747
(Address of principal executive offices)	(Zip Code)

(516) 577-7915
(Issuer's telephone number)

Securities registered under section 12(b) of the Exchange Act: None.

Securities registered under section 12 (g) of the Exchange Act: Common stock, Par value $.001

Redeemable Common Stock Purchase Warrants.

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. |_|

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |_|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

The issuer's net sales for the most recent fiscal year were $00.00.

The aggregate market value of the voting stock held by non-affiliates based upon the last sale price on April 9, 2008 was approximately, $20,093,000.

As of April 9, 2008, the Registrant had 230,410,181 shares of its Common Stock, $0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE None

Transitional Small Business Disclosure Format (Check one): Yes |_| No |X|

WATER CHEF, INC.
ANNUAL REPORT ON FORM 10-KSB

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ITEM 1. DESCRIPTION OF BUSINESS

THE COMPANY

Water Chef, Inc. (the "Company," "Water Chef") was originally incorporated under Arizona law in 1985 and merged into a Delaware corporation in 1987. Water Chef designs and markets water purification equipment. Water coolers and filters were a substantial part of the Company's business from 1993 until the fourth quarter of 2001, at which time this business was sold so that Water Chef could concentrate on the further development, manufacturing, and marketing of their patented line of "PureSafe" water purification systems. In 2007, the Company signed a contract with Bircon Ltd, to design the "First Response Water Trauma System" line of new water decontamination systems.

The Company has generated nominal revenues to date; accordingly, the Company is considered a development stage enterprise and is subject to a number of risks similar to those of other companies in an early stage of development. The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company believes the First Response Water Trauma System (FRWTS) will be the product by which the Company's first significant sales be produced since 2001. The Company expects to recognize initial sales of the FRWTS in the fourth quarter of 2008. At which time the Company will cease being a development stage enterprise.

PRODUCTS

In 1998, searching for a "killer application," Water Chef management focused on the worldwide need for safe drinking water for populations who are not served by municipal water treatment facilities, or are served by municipal systems that have malfunctioned because of improper maintenance or faulty design. The result of that activity is the PureSafe Water Station, a turn-key unit that converts "gray," or bathing grade, water into EPA grade drinking water. The PureSafe Water Station eliminates all living pathogens that pollute non-processed water - bacteria, cysts, viruses, parasites, etc. - at an affordable cost for the emerging economies of the world.

In 2001 the Company decided to concentrate its efforts on the further development, manufacturing and marketing of the PureSafe Water Station (the "PureSafe"), because although Water Chef believed that its water dispensers and its wide variety of consumer oriented water filtration products met or exceeded the design, quality and performance of competitive products, market considerations were such as to limit the opportunities for profit and growth.

While the PureSafe system gained considerable attention and approval by various governmental and non-governmental agencies, it became clear that the economics of the system, primarily the power requirements to operate the unit, made sales much more difficult than anticipated.

In 2007 new management made a strategic decision that the existing PureSafe System had not produced any significant sales. New management further recognized that the existing unit required significantly more engineering. Identified markets such as third world countries were exceedingly difficult to operate in from a sales, security, economic, and maintenance perspective. In 2007, the Company signed a contract with Bircon ltd, an Israel based engineering consulting company to design our new FRWTS. The FRWTS unit is an extension of the Company's patented technology which incorporates additional purification techniques in a mobile, trailerable and self-contained unit. This simple, reliable system is designed to provide clean, potable water in all situations requiring immediate response.

The technologies of this unit include:

- Open water pumping/ Municipal water usage
- Pre Filteration (practical removal)
- Pre Treatment (biological contamination)/Ozonation
- Clorination
- Anti Scalant / Water Softening
- Reverse Osmosis (R/O)
- Ozone sterilization
- Ultra filtration
- Post Filtration
- UV
- Mineralization

Installed on a light trailer that can be towed by a light truck or emergency vehicle and lifted by helicopter, the system can decontaminate most types of water, including:

- sea water
- river / lake
- Contaminated municipal water
- well / reservoirs / swimming pool
- brackish water
- sewage polluted water

A basic unit is capable of producing 10,000 gallons per day (37,850 liters) of high quality drinking water, exceeding the standard of regular drinking water in a bottled or container format. Larger units can handle up to 40,000 gallons per day (151,400 liters per day). Given that the World Health Organization recommends 5 liters (1.3 gallons) per person per day immediately after catastrophes, Our system can provide safe drinking water to approximately 7,600 people for the basic unit and up to 30,000 people for larger units per day.

The drinking water is supplied in disinfected bottles or expandable container, on the spot, and the containers can be delivered to the affected neighborhood or area. All models include 2 bottle washing stations capable of high quality disinfection of bottles or containers and 5 water filling and capping stations. The systems are optionally designed to serve as mobile decontamination units, utilizing high concentration of ozonated water to decontaminate first response equipment, field hospitals, and food preparation areas.

MANUFACTURING

The Company plans to initially contract out the manufacturing process of its new FRWTS until units sales dictate economic benefits of the Company's own manufacturing facility.

On April 8, 2008, the Company signed a seven-year lease for a 5,300 square foot facility in Plainview, New York that will serve as a combination of executive offices, showroom and assembly area beginning in June, 2008.

RAW MATERIALS

Our FRWTS system has been designed as part of its patented technology to utilize readily available off-the-shelf components and sub-systems. Sub-systems and components are available from multiple manufacturers. Therefore, the Company does not believe that obtaining raw materials will be a problem.

COMPETITION

Water Chef produces a turnkey solution that produces pure water to meet U.S. EPA drinking water standards. This is a far different market than that addressed by the segment of the industry which has concentrated on the multi-billion dollar municipal water treatment sector, or the equally large residential sector. The municipal solution requires significant investment for infrastructure development (building plants and laying miles of distribution pipes). Products for residential markets do not offer the performance or features to meet the needs of First Response Market or the needs of the underdeveloped nations of the world.

The Company intends to compete in the world markets with several established companies. The main competitors are:

- Nirosoft - Israel based, privately owned company established in 1990, specializes in the design, manufacture, installation, operation and maintenance of advanced water and wastewater treatment systems and services for fixed and mobile applications. According to Nirosoft own sources, the company produced and sold already over 350 trailers mostly for 3rd world countries when the cost was covered by the United Nations and other relief agencies.

- Global Water Group - US based, Global Water Group is a manufacturer of water purification, wastewater processing, and wastewater-effluent recycling equipment for municipalities, military, disaster relief agencies, industry, remote villages, homes and new residential and industrial developments. Since 1990, Global has specialized in mobile, self-contained and fixed base water purification systems for disaster relief and military use.

- LifeKeeper - Sweden based, LifeKeeper provides compact disaster relief equipment which provides electricity, water to drink and water for disinfection and sanitation. The smallest unit will supply emergency drinking water for 300 people on a daily basis.

- General Electric / Zenon - Zenon is the brand name used by the GE Water & Process Technologies unit of GE Infrastructure, a global supplier of water treatment, wastewater treatment and process systems solutions. For emergency water treatment or temporary mobile water filtration needs, Zenon offers a line of containerized membrane systems.

- Tesla / Viwa. Czech Republic based Tesla offers Viwa branded automatic mobile drinking water treatment plant designed as a provisional source of drinking water. The unit represents an integrated system, installed in a modified 20ft ISO 1 C container, with a capacity of 5000 liters per hour.

The Company recognizes that its potential competitors may have far more resources. However, the company believes its combined capability of water decontamination and delivery system are unique amongst its competitors.

MARKETING

The market for the PureSafe Water Station and First Response Water Trauma System is substantial in both worldwide and domestic opportunities. As reported by GE in "GE Infrastructure, Water & process Technologies: Transform your Business" and by ITT in "ITT Industry's Place in the Cycle of Water: Everything but the pipes," The total world market for water processing is estimated at $400 billion in 2007. The same sources also report that the market is expected to grow at a compounded annual growth rate (CAGR) of 5% to $509 billion by 2012 and that the global market for UV and Ozone disinfection is estimated at $4.6 billion in 2007 and is expected to grow at a rapid CAGR of 13.8% to $8.8 billion by 2012.

According to studies performed by the World Health Organization (WHO) and the United Nations, major parts of Africa, the Middle East, Southeast Asia, the Indian sub-continent, Latin and South America, the Caribbean, and much of Eastern Europe is in need of adequate supplies of pure water. Parts of Florida, Georgia, and other regions in the United States have also reported fresh water deficiencies. Solving this problem has been a question of appropriate technology to decontaminate water and the capability of delivering pure potable drinking water to the affected area.

The First Response Water Trauma System market is two pronged. The United States domestic marketing program will focus on the primary needs of First Responders, such as Federal, State and Local Agencies entrusted with first response challenges during times of both national disasters, as well as potential terrorist attacks.

Governmental organizations include Homeland Security Agencies, the Armed Forces, National Guard, Municipalities, Fire Departments, the Red Cross, etc.

The market for the Company's products also includes secondary markets, such as condominium developments, Universities, Hospitals, Hotels, Nursing Homes, Assisted Living Facilities or any private user that is concerned about the availability of pure, safe, potable drinking water in times of natural disasters.

The International Market includes governments who need to address the same needs as the United States domestic market. The Company's Middle East Division has the responsibility for the Middle Eastern, Europe, Asia, Africa and Australia market places.

The Company understands that to be successful, it needs to create an effective sales organization and promote its brand and product attributes through a variety of outlets and formats with clear branding messages. With this in mind, the marketing plan is based on the following key components:

- Strategic Alliances with special advisors and organizations already integrated in the water industry both domestically and internationally.

- Direct Marketing and Sales - Water Chef is assembling a highly qualified sales organization and representatives in the United States and Israel to market directly to local municipalities, first responders, national public emergency management agencies, and military organizations worldwide, responsible for first response emergency situations, including those involved in planning emergency preparedness plans.

- Advertising - The Company plans to advertise in leading trade magazines.

- Trade Show Participations - The Company plans to participate in key industry tradeshows in the United States, Israel, Europe and other regions of the world. The Company also plans to participate in Federal Emergency Management Agency (FEMA) and first responders conferences in the United States.

- Onsite Demonstration - The Company plans to conduct onsite demonstrations with potential clients as required and when feasible. The Company will have demonstration units available in the United States and Israel for such purposes.

- Web Based Marketing - The Company will utilize pay-per-click as well as natural Search Engine Optimization (SEO) optimization techniques to generate traffic to its website, www.waterchef.net. The Company also plans to publish its website address in its public relations campaigns. This strategy is expected to generate leads from potential clients for follow up by the direct sales organization.

- Clear Branding Message - The Company plans to convey clear differentiating brand marketing messages to highlight the Company's brand and product attributes, on its Internet website, and its promotional campaigns. The marketing messages will be designed for decision makers in its targeted markets.

- Public and Investor Relations Campaign - The Company plans to implement an active public and investor relations campaign as part of its marketing plan. The Company recognizes that a well coordinated public relations campaign is as valuable as or more valuable than paid advertising.

INTELLECTUAL PROPERTY

The Company filed for patent protection on its PureSafe Water Station in October of 1998 and received formal notification that the patent had been issued on February 19, 2002. The Company feels that this patent upholds its claims that the PureSafe system is a unique product. In addition to its U.S. patent, the Company has filed for patent protection in the countries of the European Union, and in Canada, Mexico, China, Hong Kong, and Japan. The patent application for the European Union (01-126 980.0) was filed on November 13, 2001; Canadian Application No. 2,362,107 was filed on November 3, 2001; Mexican Application No. PA/a/2001/12042 was filed on November 23, 2001;the Chinese Application No. 01136187.5 was filed on November 21, 2001, and was found to be in compliance on June 20, 2003; the Hong Kong Application No. 03107837.9 was filed on October 3, 2003. Each of the patent applications has been accepted, Requests for Examination have been made, and the Company currently has patent protection in the requested venues. In January 2006, the Chinese State Intellectual Property Office granted the patent rights for the invention. The patent right for the

European Union was granted by European Patent Office (Patent No. 1 310 462) on February 21, 2007. The contracting states that are covered under the umbrella European Union Patent right are Switzerland/Liechtenstein, Germany, Spain, France, Italy, Netherlands, and Sweden.

The Company is in the process of filing for new patents for the First Response Water Trauma System.

The name "PureSafe Water Station" and the stylized water droplet mark have been trademarked in the United States.

Water Chef has also incorporated patented and proprietary technology in the PureSafe Water Station systems and is confident that it can protect this intellectual capital throughout the manufacturing and distribution cycle.

The Company is in the process of trade-marking of its new mobile "First Response Water Trauma System" (FRWTS)

There can be no assurance that any application of the Company's technologies will not infringe patent or proprietary rights of others, or that licenses which might be required for the Company's processes or products would be available on favorable terms. Furthermore, there can be no assurance that challenges will not be made against the validity of the Company's patent, or that defenses instituted to protect against patent violation will be successful.

SEASONALITY

The Company does not expect the sales of stationary Pure Safe Water Station to be influenced by seasonality. The Company does expect that the sales of its FRWTS system will have some level of fluctuation due to seasonality of water trauma events such as hurricanes, tornados, Tsunamis, storms, flooding or any other natural or man-made disasters.

RESEARCH AND DEVELOPMENT

Research and development of our new First Response Water Trauma System takes place at Shoham, Israel, under the supervision of Gil Tenne, our Chief Engineering Consultant. As of April 9, 2008, the total cost of the design, prototyping and development of the FRWTS has been in excess of $500,000.

INSURANCE

The Company maintains Directors' and Officers' Insurance in the aggregate amount of $4,000,000, and a $4,000,000 general business liability policy. The Company believes its insurance coverage to be adequate.

EMPLOYEES

As of December 31, 2007, the Company employed two executive officers and one administrative employee in its headquarters.

The Company believes there are a sufficient number of persons available at prevailing wage rates in or near our manufacturing locations that should expansion of its production require additional employees, they would be readily available. The Company has no collective bargaining agreement with any of its employees.

ITEM 2. DESCRIPTION OF PROPERTY

The Company currently maintains its principal place of business at 68 South Service Road, Melville, New York 11747. The company leases 275 square feet in an executive suite at $3,502 per month on an annual basis. On October 25, 2007, the Company signed a lease with Connecticut Yankee Realty, Inc. for a facility located at 25 Middlesex Turnpike, Essex, CT. The rent is $1,529 per month. The term of the lease is one year beginning October 1, 2007 and the Company has two one-year renewal options to extend this lease with Landlord for the same rent as is agreed for the first year.

On April 8, 2008, the Company signed a seven-year lease for a 5,300 square foot facility in Plainview, New York at $5,000 per month on an annual basis. This facility will replace our current headquarters to serve as executive offices, showroom and assembly area. The Company expects to move into the new facility by June, 2008.

ITEM 3. LEGAL PROCEEDINGS

On July 14, 2006, Funding Group, Inc. filed a complaint with the Supreme Court of the State of New York in New York County seeking damages due to an alleged breach of contract related to a $25,000 loan made by the plaintiff to the Company. On October 11, 2006, the Company filed a counter claim against Funding Group, Inc. with the Supreme Court of the State of New York. On February 9, 2008 the Company prevailed in its counter claim against Funding Group, Inc. by a decision handed down by the Supreme Court of the State of New York. Summary Judgment was granted to the Company and the Court dismissed Funding Group, Inc.'s claim against the Company in its entirety.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

PRICE RANGE OF COMMON STOCK

The Company's common stock is traded on the Over-The-Counter Electronic Bulletin Board ("OTCBB") under the symbol WTER.OB. This market is categorized as being "thin" which means that there is generally a paucity of buyers and sellers as found in the more heavily traded Small Cap and NASDAQ markets. OTCBB stocks generally do not have the trading characteristics of more seasoned companies as they lack the market-makers that will make orderly markets as well as the buyers and sellers that give depth, liquidity and orderliness to those markets. In addition, the solicitation of orders and/or the recommendations for purchase of OTCBB stocks is restricted in many cases by the Financial Industry Regulatory Authority and by individual brokerage firms as well.

The chart below sets forth the range of high and low prices for the Company's common stock based on high and low prices during each specified period as reported by Yahoo Finance.

	High	Low
Fiscal Year-Ended December 31, 2006		
First Quarter	$ 0.19	$ 0.07
Second Quarter	0.23	0.10
Third Quarter	0.13	0.09
Fourth Quarter	0.15	0.07

Fiscal Year-Ended December 31, 2007		
First Quarter	0.19	0.11
Second Quarter	0.13	0.10
Third Quarter	0.12	0.06
Fourth Quarter	0.09	0.02
Fiscal Year-Ending December 31, 2008		
First Quarter	0.14	0.03

As of the close of business on December 31, 2007, there were 803 common stock holders of record.

DIVIDENDS

We have not paid any cash dividends on our common stock since our inception and do not anticipate paying any cash dividends in the foreseeable future. We plan to retain our earnings, if any, to provide funds for the expansion of our business. Subject to our obligations to the holders of our Series A and Series D Preferred shares, and to the holders of our Series F convertible preferred stock, the holders of our common stock are entitled to dividends when and if declared by our Board of Directors from legally available funds. Our Board of Directors will determine future dividend policy based upon conditions at that point, including our earnings and financial condition, capital requirements and other relevant factors.

RECENT ISSUANCES OF UNREGISTERED SECURITIES

On May 2, 2007, the company issued 2,000,000 shares of common stock to Leslie J. Kessler as part of her employment package

On May 2, 2007, the company issued 500,000 shares of common stock to Richard Ayotte as part of his employment package
On May 10, 2007, the company issued 3,520,752 shares of common stock for $300,000 investment received
On May 31, 2007, the company issued 555,555 shares of common stock for $50,000 investment received
On June 26, 2007, the company issued 1,203,080 shares of common stock for $100,000 investment received
On November 5, 2007 the company issued 3,159,558 shares of common stock for $200,000 investment received
On November 13,2007 the company issued 1,675,978 shares of common stock for $100,000 investment received
On December 21, 2007 the company issued 3,896,104 shares of common stock for $200,000 investment received
On December 21, 2007 the company issued 1,000,000 shares of common stock to Terry R. Lazar as part of his employment package
On December 21, 2007 the company issued 1, 973,684 shares of common stock to Terry R. Lazar for $100,000 investment received
On December 26, 2007 the company issued 2,255,639 shares of common stock for $100,000 investment received

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

INTRODUCTION

DEVELOPMENT OF THE COMPANY

The Company was originally incorporated under Arizona law in 1985 and merged into a Delaware corporation in 1987. In 1993, the Company, then known as Auto Swap, U.S.A., entered into a reverse merger with Water Chef, Inc., a Nevada corporation that manufactured and marketed water coolers and filters.

Plan for 12 Months

The plan for the next twelve months includes:

1. The completion of the prototype First Response Water Trauma System, with full operational capability.
2. Filing of all required patents for the First Response Water Trauma System.
3. Certification of the system.
4. Continuing Capital raise with a total maximum target of $ 10,000,000 capital for the next 12 months.
5. Completion of improvements on new leased premises in Plainview Long Island and Grand opening, including introduction to the First Response Water Trauma System.
6. Hiring of new Director of Sales.
7. Initial penetration into target markets.
8. Adding special advisors to the Company as targeted resource personnel.
9. Concluding agreement with a strategic partner for target marketing.
10. Addition of Board Members.
11. Establishment of new facility in Israel for executive offices, showroom, sales, research and development and production.
12. Some Revenue produced by sales of the First Response Water Trauma System. 13. Hiring a Chief Technical Officer to oversee production of the FRWTS for the U.S. market.

- Type of Research

1. Continuing improvements in the First Response Water Trauma System .

2. Research and development to create a stationary system that can be adapted to both domestic and international market needs.

- Funding

Funding has thus far been provided by private investors. It is expected that the next level of capital raise will come from a combination of private equity investors and investment banking institutions.

- When Plan to Cease development Stage

The Company believes that it will cease to be a development stage Company by the 4th quarter of 2008.

RESULTS OF OPERATIONS

Sales for the years ended December 31, 2007 and 2006 were $0 and $115,000, respectively. During the year ended December 31, 2006, the Company recognized the sale of two PureSafe Water Station Systems.
The new management of the Company made a strategic decision to focus the

Company's efforts and capital to produce a new technology that can penetrate the market place with a water purification and delivery system when natural and man-made disasters occur. In the past there was very little capital invested in product development. The sales in 2006 of two pure safe water system units did not assure new management that there was an ongoing market for the existing system. The $ 115,000 in 2006 sales was an anomaly, not a reflection of a Company coming out of the Development Stage. While the marketplace has a demand for a permanent solution, management believes that significant re-engineering will be required to create a permanent solution from the existing Pure Safe Water System.
The year 2007 was primarily focused on identifying a market need and the methodology to serve that market with a new and unique product. The strategic relationship with Bircon and Gil Tenne started in the third quarter of 2007. As previously indicated, the Company believes that the 4th quarter of 2008 will be the defining time when the First Response Water Trauma System achieves sales. The Company will re-address the permanent system in 2009.

Cost of sales decreased from $114,000 for the year ended December 31, 2006, to $23,000 for the year ended December 31, 2007, a decrease of $91,000, or 80%. Even though the Company generated no sales in 2007, we paid monthly payments from January 2007 through April 2007 to Davis, Water Systems, our OEM facility for storing our units. An analysis of the components of cost of sales follows:

Cost of Sales Period	Product CGS	Rent and Overhead Payments to Manufacturer	Total Cost of Sales
2007	$ --	$23,000	$ 23,000
2006	$30,000	$84,000	$114,000

Selling, general and administrative expenses for the year ended December 31, 2007 were $1,356,895 compared to $1,559,464 for the year ended December 31, 2006, a decrease of $202,569 or 13%. The cause of the decrease in Selling, General and administrative expenses are the combinations of various factors. For example, Legal and Accounting has increased $95,366, a 44 percentage increase compare with 2006; consultation fees has increased $176,000 from 2006; Salaries decreased $280,000 from 2006; Travel & Entertainment has increased $59,000; Directors Fees decreased $33,300 Interest expense for the year ended December 31, 2007 was $ 430,067 compared to $380,553 for the year ended December 31, 2006, an increase of $49,514 or 13%. The Company does not expect the spending on Research and Development in 2008 to be at the same level as 2007 once the project of developing the FRWTS prototype is complete.

The negative changes in fair value of warrants and embedded conversion option and stock based compensation are the result of decline of our stock price in 2007.

The net loss for the year ended December 31, 2007 was $1,701,125 compared to $2,072,917 for the year ended December 31, 2006, a decrease of $371,792.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2007, the Company had a stockholders' deficiency of $2,029,215 and a working capital deficiency of $2,098,454. In addition, the Company had a net loss of $1,701,125 and $2,072,917 for the years ended December 31, 2007 and 2006, respectively. The financial statements have been prepared assuming that the Company will continue as a going concern. The Independent Registered Public Accounting Firm's report on our financial statements included elsewhere herein contains an explanatory paragraph about conditions that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with respect to these matters include restructuring its existing debt and raising additional capital through future issuances of stock and/or debt. The Company plans to raise an additional 10 million dollars in the next twelve months to fund the completion of the FRWTS prototype, to launch the new marketing program, to establish sales and marketing network, to start production and build inventory units, and to provide on-going working capital. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

In March 2007, the Chief Executive Officer and a Director each made loans of $50,000 to the Company. The loans pay simple interest at the rate of 10% per annum and are due and payable in 120 days. Failure to repay the loans on a timely basis will entitle the lenders to convert their debt to common stock at a price equal to 50% of the average closing price of the Company common over the three previous business days before demand for conversion is made. In December 2007, the Chief Executive Officer exercised her option to convert her loan and accrued interest into shares of common stock which were issued in January 2008.

On September 7, 2007, the Company entered into an agreement (the "Loan Agreement"), pursuant to which the Company issued convertible notes in the aggregate of $250,000 at an interest rate of 10% per annum. In addition, the Company issued 1,384,786 warrants to purchase common stock at an exercise price of $0.096 per share. The notes mature on March 5, 2008. The holders of the notes are entitled to convert all or a portion of the notes into shares of common stock at a conversion price equal to the lower of $0.12 per share or 82.5% of the average of the three lowest closing bid prices for the 10 trading days immediately preceding the conversion date. The notes and warrants provide rights to the holders to convert the notes or exercise the warrants and provided that such actions should not result in the holders being the beneficial owner of more than 4.99% of the Company's outstanding common stock at that time. In January 2008, the note holder exercised its option to convert the entire principal amount of the note plus $8,851 of accrued interest into common stock.

Under the terms of the agreement the Company was required to file a registration statement (SEC File No. 333-146742) covering the resale of the shares issuable under the agreement by October 17, 2007. The registration was declared effective on December 26, 2007.

The Loan Agreement provides that the lenders are contingently obligated to lend the Company an additional aggregate amount of $150,000 when and if the registration statement is declared effective. The substantive terms and conditions of the notes and warrants to be issued on the second closing date will be same as those in the notes and warrants issued on September 7, 2007. As of April 9, 2008, the Company has not drawn the additional $150,000.

The Company, during 2007 and 2006, raised $1,150,000 and $568,000, respectively, through the sale of its common stock.

During 2007, the Company negotiated to settle certain promissory notes with an aggregate principal balance of $400,000 plus accrued interest of $302,933. The Agreement calls for the company to pay the note holder $150,000 payments in two installments of $75,000 each on or before December 31, 2007 and June 30, 2008. In addition, the Company will issue 2,500,000 shares of common stock of which 1,250,000 shares of common stock has been issued. The note holder agreed that it shall restrict its sale of Water Chef's common stock to the lower of no more than 25% of the previous day's trading volume or current day's trading volume or 125,000 shares per day.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet debt nor did we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any entities or other persons that may have a material current or future effect on financial conditions, changes in financial conditions, result of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of the statements in accordance with these principles requires that we make estimates, using available data and our judgment, for such things as valuing assets, accruing liabilities and estimating expenses. The Company is currently in development stage as defined by SFAS No. 7. The following is a list of what we believe are the most critical estimations that we make when preparing our financial statements.

Development Stage Company

The Company discontinued its water cooler and filtration operations in November 2001. As a result, the Company has refocused its efforts on raising capital and developing markets for its proprietary technology. Pursuant to the provisions of Statement of Financial Accounting Standards No. 7 "Accounting and Reporting by Development Stage Enterprises" (SFAS 7), we are considered a development stage company. We are subject to a number of risks similar to those of other early development stage companies.

Stock-Based Compensation

The Company reports stock based compensation under Statements of Financial Accounting Standards ("SFAS") No. 123R ("123R") "Share Based Payment." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. During the year ended December 31, 2007 and 2006, we issued 3,500,000 and 866,666 shares of common stock and incurred a stock based compensation charge of approximately $ 315,000 and $62,500, respectively based on the fair value on the date of the award.

We accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS 123R and the Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or In Conjunction with Selling, Goods or Services" ("EITF 96-18") which require that such equity instruments are recorded at their fair value on the measurement date, which is typically the date the services are performed.

The Black-Scholes option valuation model is used to estimate the fair value of the options or their equivalent granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants that have no vesting restrictions and that are fully transferable. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the options granted.

The principal assumptions used in applying the Black-Scholes model along with the results from the model were as follows:

	Years Ended December 31, 2007	2006
Assumption:		
Risk-free interest rate	5.00 %	4.00 %
Expected life, in years	3 years	3 years
Expected volatility	90%	118%

During the years ended December 31, 2007 and 2006 we granted 14,100,000 and 6,500,000 warrants, respectively, to employees and consultants for services provided. Accordingly we incurred a charge for stock based compensation of approximately $315,000 and $705,200, respectively. We have issued equity instruments in the past to raise capital and as a means of compensation to employees and for the settlement of debt.

Derivative Financial Instruments

In connection with the issuance of certain convertible promissory notes, the terms of the convertible notes included an embedded conversion feature which provided for a conversion of the convertible promissory notes into shares of our common stock at a rate which was determined to be variable. The Company determined that the conversion feature was an embedded derivative instrument pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, and Emerging Issues Task Force ("EITF") Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."

The accounting treatment of derivative financial instruments requires that we record the conversion option and related warrants at their fair values as of the inception date of the convertible debenture agreements and at fair value as of each subsequent balance sheet date. In addition, under the provisions of EITF Issue No. 00-19, as a result of entering into the convertible promissory notes, we were required to reclassify all other non-employee warrants and options as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. We reassesses the classification of the instruments at each balance sheet date. If the classification required under EITF Issue No. 00-19 changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

Registration Payment Arrangements

We account for registration rights agreements in accordance with Financial Accounting Standards Board ("FASB") Staff Position (FSP) No. EITF 00-19-2, "Accounting for Registration Payment Arrangements" ("FSP EITF 00-19-2"), which specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, "Accounting for Contingencies". FSP EITF 00-19-2 also requires additional disclosure regarding the nature of any registration payment arrangements, alternative settlement methods, the maximum potential amount of consideration and the current carrying amount of the liability, if any.

Income taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of FIN 48.

In accordance with FIN 48, interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as "Interest expense, net" in the consolidated statements of operations. Penalties would be recognized as a component of "General and administrative expenses."

The Company's uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities. The Company files income tax returns in the United States (federal) and in various state and local jurisdictions. The Company is no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2003. The adoption of the provisions of FIN 48 did not have a material impact on the Company's financial position and results of operations. As of December 31, 2007, no liability for unrecognized tax benefits was required to be recorded.

Effects of Recent Accounting Policies

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. SFAS 157 is effective for us for financial statements issued after November 15, 2007. The adoption of this pronouncement did not have a material impact on our financial position, results of operations, or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Generally accepted accounting principles have required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS 157 and SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS 159 is effective as of the beginning of the first fiscal year 2008. The Company is evaluating the impact SFAS 159 may have on the financial position, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations", and is effective for us for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141(R) requires the new acquiring entity to recognize all assets acquired and liabilities assumed in the transactions; establishes an acquisition-date fair value for acquired assets and liabilities; and fully discloses to investors the financial effect the acquisition will have. SFAS 141(R) would have an impact on accounting for any business acquired after the effective date of this pronouncement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements, and requires that transactions between entities and noncontrolling interests be treated as equity. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 with earlier adoption prohibited. The adoption of this pronouncement is not expected to have a material impact on the financial position, results of operations and cash flows, however, this pronouncement may affect future periods.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133 "("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments. (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The guidance in SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption . At this time, management is evaluating the implications of SFAS 161 and its impact on the financial statements has not yet been determined.

The FASB, the Emerging Issues Task Force and the SEC have issued certain other accounting pronouncement and regulations as of December 31, 2007 that will become effective in subsequent periods. However we did not believe that any of those pronouncement would have significantly affected the financial accounting measures or disclosures had they been in effect during 2007 or 2006, and do not believe that any of those pronouncements will have a significant impact to the financial statements at the time they become effective.

ITEM 7. FINANCIAL STATEMENTS

The Company's financial statements for the years ended December 31, 2007 and 2006 and for the period from January 1, 2002 (commencement as a development stage company) to December 31, 2007 are included herein and consist of:

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the year ended December 31, 2007, no change in accountants occurred and there were no disagreements with accountants.

ITEM 8A(T). CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail,

accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Under the supervision and with the participation of our management we have assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, our management used the criteria described in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Due to the inherent issue of segregation of duties in a small company, we have relied heavily on entity or management review controls to lessen the issue of segregation of duties. Based on this assessment and those criteria, our management concluded that the Company did maintain effective internal control over financial reporting as of December 31, 2007.

The Company does acknowledge the following significant deficiency, which did not rise to the level of a material weakness. The Company recognizes that it needs to provide leadership and guidance to its employees, clients and vendors regarding business ethics and professional conduct. A confidential reporting mechanism must be in place for anonymous reporting of a breach to these ethics that will enable prompt and thorough investigation. These policies are being established and will be posted on the Company's website in the second quarter of fiscal 2008.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls

There has been a change in our internal control over financial reporting during the most recently completed fiscal quarter that will affect or are reasonably likely to materially affect, our internal control over financial reporting. In October 2007, the Company hired a Chief Financial Officer who is a certified public accountant.

ITEM 8B. OTHER INFORMATION

None

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

As of March 31, 2008, the Company's Directors and Executive Officers are:

Name	Age	Position(s) with the Company
Leslie J. Kessler	60	Director, Chairman, President, and Chief Executive Officer
Terry Lazar	64	Director, Chief Financial officer
Malcolm Hoenlein	64	Director

Leslie J. Kessler

Ms. Kessler joined the Company as its President in January 2007 and was appointed Chief Executive Officer and as a member of the Company's Board of Directors in February 2007. Since 1994, Ms. Kessler has served as the president of LIK Capital, which specializes in consulting and assisting companies with financing their growth and development. In 1996, Ms. Kessler co-founded CPC of America, Inc. and served on the board of directors. In 1998, CPC of America became a public traded company in the field of cardiology. Ms. Kessler holds both a B.A. and an M.A. from Hofstra University.

Terry Lazar

Mr. Lazar joined the Company in September 2007 as the Chief Financial Officer and a member of the Board of Directors. Mr. Lazar is a senior partner at Lazar Sanders Thaler & Associates, LLP, Certified Public Accountants and Consultants, which he founded in 1977. Mr. Lazar has served as a partner and the Chief Executive Officer of the Ambulatory Surgery Center of Brooklyn since 1987. Mr. Lazar holds his B.B.A. from the City University of New York.

Malcolm Hoenlein

Mr. Hoenlein was appointed as a member of the Board of Directors in March 2008. Mr. Hoenlein is the Executive Vice Chairman/CEO of the Conference of Presidents of Major American Jewish Organizations, the coordinating body on national and international Jewish concerns for 52 national Jewish organizations. He served on the editorial board of ORBIS, the Journal of International affairs and as a Middle East specialist at the Foreign Policy Research Institute. Mr. Hoenlein serves as an advisor to many public officials and is frequently consulted on public policy issues. He serves on the boards of various companies including Keryx Biopharmaceuticals Inc. (NasdaqGM: KERX), Manhattan Pharmaceuticals Inc. (OTCBB:MHAN.OB) and Bank Leumi USA. Mr. Hoenlein holds a B.A. in Political Science from Temple University and a Masters degree from the University of Pennsylvania's Department of International Relations.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who beneficially own more than ten percent of our common stock, to file reports of ownership of common stock and other equity securities of our company with the Securities and Exchange Commission ("SEC"). Officers, directors and more than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on review of the copies of these reports furnished to us during 2007, all required Section 16(a) reports for our directors, officers and beneficial owners of ten percent of our outstanding stock were filed on a timely basis except for the following reports and transactions that were inadvertently reported late: (1) Leslie Kessler failed to timely file two reports covering three transactions; (2) Terry Lazar failed to timely file five reports covering twenty eight transactions; and (3) Malcolm Hoenlein failed to timely file one report covering one transaction.

Code of Ethics

We adopted a code of ethics in 2005 that was filed as Exhibit 14.1 to our Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on August 15, 2005. The code of ethics applies to each of our directors and officers, including the chief financial officer and chief executive officer, and all of our other employees and the employees of our subsidiaries.

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ITEM 10. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	All Stock Awards ($)	Total ($)
David A. Conway	2006	$350,000	--	--	$350,000
Leslie J. Kessler President/CEO	2007	$ 99,000	--	$411,900	$510,900
Terry R. Lazar CFO	2007	$15,000	--	$ 40,000	$ 55,000

Mr. Conway entered into a five-year employment agreement in January 2004. The agreement provided for base salary of $350,000 per year, participation in the Company's employee benefit programs and a life insurance policy in the amount of $5,000,000 which was never purchased. In addition, Mr. Conway was granted a stock appreciation right, vesting at 20% per year for five years, for 5,000,000 shares of Water Chef common stock at a strike price of $0.25 per share. Mr. Conway was originally granted stock options in January 2004 that were later converted to stock appreciation rights. Under the terms of the Employment Agreement if the employee is terminated by the Company for other than cause, the Employee is entitled to receive an amount equal to his monthly base pay multiplied by 24 months. In the event of a Change of Control the Company is required to pay to the Employee an amount equal to his monthly base salary multiplied by thirty-six. Upon his resignation as President and Chief Executive Officer in January 2007, Mr. Conway surrendered his stock appreciation rights, any unpaid severance under his employment agreement, forgave $525,738 of notes payable and accrued interest, and relinquished his rights to $471,583 of unpaid and accrued salary. The Company recorded the forgiveness of such liabilities as a contribution to capital. The cancellation of the stock appreciation rights did not have an accounting impact.

EMPLOYMENT AGREEMENTS

On January 15, 2007, Ms. Kessler was appointed President of the Company. On February 2, 2007, Ms. Kessler was approved CEO and a member of Board of Directors. Mr. Kessler's compensation for 2007 was $9,000 per month which she agreed to defer. In January 2008, she requested and was paid $18,000 of her deferred compensation. On March 29, 2007, Ms. Kessler was awarded 2,000,000 shares of common stock and a three-year stock purchase warrant for an additional 2,000,000 shares at $0.11 per share.

On September 21, 2007 Mr. Terry Lazar was appointed CFO and a member of the Board of Directors. Mr. Lazar's compensation is $5,000 per month. During 2007 Mr. Lazar received $10,000 and deferred $5,000. On September 28, 2007 the Board approved issuance of 2,000,000 shares of common stock to Mr. Lazar of which 1,000,000 shares was issued in 2007. The remaining 1,000,000 shares are to be issued in September 2008. In addition, the Board approved a three-year stock purchase warrant for 2,000,000 shares at an exercise price of $0.07.

The Company has no long-term incentive plans at this time.

2007 DIRECTORS' COMPENSATION

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total
John J. Clarke	$16,667	$ --	--	$16,667
Ronald Hart	--	--	$50,400	$50,400

On February 12, 2007, Marshall S. Sterman resigned from the Board of Directors and waived his rights to any accrued compensation owed to him by the Company. The Company wrote off $330,000 accrued compensation to additional-paid-in capital in 1st quarter of 2007. On August 31, 2007, the Company received a letter of resignation from Dr. Ronald W. Hart resigning from his position as a member of the Company's Board of Directors. On September 5, 2007, John J. Clarke, Jr. resigned from his position as a member of the Company's Board of Directors.

The Company's directors have been paid success fees for helping the Company in various equity and debt financings in previous years. These payments have been both in cash and common stock, such payments being made based on industry-wide standards and arms-length transactions.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Set forth below is information as of April 9, 2008, concerning stock ownership of all persons known by the Company to own beneficially 5% or more of the any class of the securities of the Company, all Directors, the Executive officers, and all Directors and Executive Officers of the Company as a group based on the number of shares of common stock issued and outstanding as of the date of this report. For purposes of the report, beneficial ownership is defined in accordance with the Rules of the Securities and Exchange Commission and generally means the power to vote and/or dispose of the securities regardless of any economic interest.

	Common Stock Beneficially Owned(1)		Series A Preferred Stock Beneficially Owned(1)		Series D Preferr Beneficially Own
	Shares	%	Shares	%	Shares
Leslie J.Kessler (2) Water Chef, Inc.	9,181,624	3.9%	--	--	--

68 S. Service Road Suite 100 Melville, NY 11747					
Terry R. Lazar (3) Water Chef, Inc. 68 S. Service Road Suite 100 Melville, NY 11747	2,873,684	1.2%	--	--	--
John J. Clarke Water Chef, Inc. 68 S. Service Road Suite 100 Melville, NY 11747	--	--	--	--	--
Ronald Hart Water Chef, Inc. 68 S. Service Road Suite 100 Melville, NY 11747	--	--	--	--	--
Jerome and Anne Asher JTWROS 2701 N Ocean Blvd Apt E-202 Boca Raton, FL 33431	--	--	5,000	9.5%	--
Robert D. Asher 72 Old Farm Road Concord, MA 01742	--	--	5,000	9.5%	--
John A. Borger 806 E. Avenida Pico Suite I PMB #262 San Clemente, CA 92673	--	--	--	--	10,000
C Trade Inc. 25-40 Shore Blvd., Ste 9L Astoria, NY 11102	--	--	--	--	--
Goldman, Sachs & Co.(4) The Goldman Sachs Group, Inc. 85 Broad Street New York	16,593,081	7.6%	--	--	--
Peter Hoffman 7035 Vleigh Place Flushing, NY 11367	--	--	--	--	--

Robert Kaszovitz 1621 51st Street Brooklyn, NY 11204	--	--	--	--	--
Olshan Grundman Frome Rosenzweig & Wolosky 65 East 55th Street New York, NY 10022	--	--	--	--	--
Shirley M. Wan 5455 Chelsen Wood Dr. Duluth, GA 30155	--	--	--	--	6,000
All Executive Officers and Directors as a Group (2)	12,055,308	5.1%	--	--	--

1. A person is deemed to be the beneficial owner of voting securities that can be acquired by such person within 60 days upon the exercise of options and warrants and the conversion of convertible securities. Each beneficial owner's percentage of ownership is determined by assuming that all options, warrants or convertible securities held by such person (but not those held by any other person) that are currently exercisable or convertible (i.e., that are exercisable or convertible within 60 days) have been exercised or converted.

2. Includes 98,400 shares held in an IRA, and warrants to purchase 5,000,000 shares of common stock which are currently exercisable.

3. Includes 25,000 shares held by a Profit Sharing Plan Trust, 135,000 shares held in Mr. Lazar and his wife's IRAs, 175,000 shares held jointly by Mr. Lazar and his wife, 165,000 shares held in a 401(k).

4. Based on an amendment to a Schedule 13G jointly filed with the Securities and Exchange Commission on February 6, 2008 by Goldman, Sachs & Co. and The Goldman Sachs Group, Inc.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Beginning on January 1, 2002, Mr. Sterman, a former director of the Company, was compensated at the rate of $6,000 per month for consulting services performed for the Company. In 2004 Mr. Sterman's monthly compensation increased to $10,000. Mr. Sterman's consulting agreement was terminated in June 2006. Mr. Sterman resigned from the Board of Directors on February 12, 2007 and waived his right to any accrued compensation and director fees owed to him by the Company.

ITEM 13. EXHIBITS

(a) Exhibits:

Number	Description of Exhibit
3.1	Amended and Restated By-Laws of Water Chef, Inc. - Incorporated herein by reference to Exhibit 3(ii) to the Form 10-KSB/A filed November 17, 2003.
3.2	Amended and Restated Certificate of Incorporation of Water Chef, Inc. - Incorporated herein by reference to Exhibit 3.2 to the Form SB-2 filed January 24, 2005.
3.3	Certificate of Amendment of Restated Certificate of Incorporation of Water Chef, Inc. dated August 2, 1993 - Incorporated herein by reference to Exhibit 3.3 to the Form SB-2 filed January 24, 2005.
3.4	Certificate of Amendment of Restated Certificate of Incorporation of Water Chef, Inc. dated August 2, 1992 - Incorporated herein by reference to Exhibit 3.4 to the Form SB-2 filed January 24, 2005.
3.5	Certificate for Renewal and Revival of Certificate of Incorporation - Incorporated herein by reference to Exhibit 3.5 to the Form SB-2 filed January 24, 2005.
3.6	Certificate of Amendment of Restated Certificate of Incorporation of Water Chef, Inc. dated February 20, 2002 - Incorporated herein by reference to Exhibit 3.6 to the Form SB-2 filed January 24, 2005.

3.7	Certificate of Correction filed to correct a certain error in the Certificate of Amendment of the Restated Certificate of Incorporation of Water Chef, Inc. dated May 7, 2004 - Incorporated herein by reference to Exhibit 3.7 to the Form SB-2 filed January 24, 2005.
4.1	Certificate of Designation of Series A Preferred Stock of Water Chef, Inc. - Incorporated herein by reference to Exhibit 4.1 to the Form 10-KSB/A filed November 17, 2003.
4.2	Certificate of Designation of Series C convertible preferred stock of Water Chef, Inc. - Incorporated herein by reference to Exhibit 4.2 to the Form 10-KSB/A filed November 17, 2003.
4.3	Certificate of Designation of Series D Preferred Stock of Water Chef, Inc. - Incorporated herein by reference to Exhibit 4.3 to the Form 10-KSB/A filed November 17, 2003.
4.4	Certificate of Designation of Series F convertible preferred stock of Water Chef, Inc. - Incorporated herein by reference to Exhibit 4.4 to the Form SB-2 filed January 24, 2005.
4.5	Series B Warrant to Purchase Common Stock and Allonge to and Amendment and Extension of Common Stock Purchase Warrant - Incorporated herein by reference to Exhibit 4.4 to the Form 10-KSB/A filed November 17, 2003.

4.6	Series B Second Allonge to and Amendment and Extension of Common Stock Purchase Warrant - Incorporated herein by reference to Exhibit 4.6 to the Form SB-2 filed January 24, 2005.
4.7	Subordinated Debentures - Incorporated herein by reference to Exhibit 4.5 to the Form 10-KSB/A filed November 17, 2003.
10.1	Loan Agreement, dated as of November 16, 2005, by and between Water Chef, Inc. and Southridge Partners LP - Incorporated herein by reference to Exhibit 99.1 to the Form 8-K filed November 23, 2005.
10.2	Registration Rights Agreement, dated as of November 16, 2005, by and between Water Chef, Inc. and Southridge Partners LP - Incorporated herein by reference to Exhibit 99.2 to the Form 8-K filed November 23, 2005.
10.3	Promissory Note issued by Water Chef, Inc. on November 16, 2005 to Southridge Partners LP for the principal sum of $250,000 - Incorporated herein by reference to Exhibit 99.3 to the Form 8-K filed November 23, 2005.
10.4	Three Year Warrant issued to Southridge Partners LP, dated November 16, 2005, to purchase 430,000 shares of common stock at a price of $0.14 per share - Incorporated herein by reference to Exhibit 9.4 to the Form 8-K filed November 23, 2005.
10.5	Loan Agreement, dated as of October 11, 2006, by and between Water Chef, Inc. and Southridge Partners LP - Incorporated herein by reference to Exhibit 9.4 to the Form 8-K filed October 19, 2006.
10.6	Registration Rights Agreement, dated as of October 11, 2006, by and between Water Chef, Inc. and Southridge Partners LP - Incorporated herein by reference to Exhibit 9.4 to the Form 8-K filed October 19, 2006.
10.7	Promissory Note issued by Water Chef, Inc. on October 11, 2006 to Southridge Partners LP for the principal sum of $300,00 - Incorporated herein by reference to Exhibit 9.4 to the Form 8-K filed October 19, 2006.
10.8	Three Year Warrant issued to Southridge Partners LP, dated October 11, 2006, to purchase 882,352 shares of common stock at a price of $0.085 per share - Incorporated herein by reference to Exhibit 9.4 to the Form 8-K filed October 19, 2006.

10.9	Securities Purchase Agreement, dated as of August 27, 2007, by and between Water Chef, Inc., Southridge Partners LP and Southshore Capital Fund Ltd - Incorporated herein by reference to Exhibit 99.1 to the Form 8-K filed September 9, 2007.

10.10	Registration Rights Agreement, dated as of August 27, 2007, by and between Water Chef, Inc. and Southridge Partners LP. - Incorporated herein by reference to Exhibit 99.2 to the Form 8-K filed September 9, 2007.
10.11	10% Convertible Promissory Note issued by Water Chef, Inc. on September 7, 2007 to Southridge Partners LP for the principal sum of $200,000 - Incorporated herein by reference to Exhibit 99.3 to the Form 8-K filed September 9, 2007.
10.12	10% Convertible Promissory Note issued by Water Chef, Inc. on September 7, 2007 to Southshore Capital Fund Ltd. for the principal sum of $50,000 - Incorporated herein by reference to Exhibit 99.4 to the Form 8-K filed September 9, 2007.
10.13	Common Stock Purchase Warrant issued to Southridge Partners LP, dated September 7, 2007, to purchase 1,107, 829 shares of common stock- Incorporated herein by reference to Exhibit 99.5 to the Form 8-K filed September 9, 2007.
10.14	Common Stock Purchase Warrant issued to Southshore Capital Fund Ltd., dated September 7, 2007, to purchase 276,957 shares of common stock - Incorporated herein by reference to Exhibit 99.6 to the Form 8-K filed September 9, 2007.
10.15	Private Equity Credit Agreement, dated as of September 7, 2007, by and between Water Chef, Inc. and Brittany Capital Management Limited - Incorporated herein by reference to Exhibit 99.7 to the Form 8-K filed September 9, 2007.
10.16	Registration Rights Agreement, dated as of September 7, 2007, by and between Water Chef, Inc. and Brittany Capital Management Limited - Incorporated herein by reference to Exhibit 99.8 to the Form 8-K filed September 9, 2007.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 8 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 8 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

ITEM 14. PRINCIPAL ACCOUNTANT FEES

Aggregate fees for professional services rendered for the Company by Marcum Kliegman LLP, the Company's independent registered public accounting firm, for the years ended December 31, 2007 and 2006 are set forth bleow.

Type of Service	Year ended 2007	2006
Audit fees (1)	$120,500	$125,000
Audit-Related Fees (2)	--	--
Tax Fees (3)	--	--
All Other Fees (4)	--	--
Total	$120,500	$125,000

(1) Comprised of the audit of our annual financial statements and reviews of our quarterly financial statements.

(2) Comprised of assurance services in connection with employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations related to mergers and acquisitions, internal control reviews, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.

(3) Comprised of services for tax compliance, tax return preparation, tax advice and tax planning.

(4) Fees related to other filings with the SEC.

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by the Company's independent accountants must now be approved in advance by the Audit Committee to assure that such services do not impair the accountants' independence from the Company. Accordingly, the Audit Committee has adopted an Audit and Non-Audit Services Pre-Approval Policy (the "Policy") which sets forth the procedures and the conditions pursuant to which services to be performed by the independent accountants are to be pre-approved. Pursuant to the Policy, certain services described in detail in the Policy may be pre-approved on an annual basis together with pre-approved maximum fee levels for such services. The services eligible for annual pre-approval consist of services that would be included under the categories of Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees in the above table as well as services for limited review of actuarial reports and calculations. If not pre-approved on an annual basis, proposed services must otherwise be separately approved prior to being performed by the independent accountants. In addition, any services that receive annual pre-approval but exceed the pre-approved maximum fee level also will require separate approval by the Audit Committee prior to being performed. The Audit Committee may delegate authority to pre-approve audit and non-audit services to any member of the Audit Committee, but may not delegate such authority to management.

All of the engagements and fees for the year ended December 31, 2007 were approved by the audit committee and its equivalent. Of the total number of hours expended during M&K's engagement to audit the Company's financial statements for the year ended December 31, 2007, none of the hours were attributed to work performed by persons other than M&K's full-time, permanent employees.

SIGNATURES

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

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

WATERCHEF, INC.

Date: April 14, 2008 /s/ Leslie J. Kessler

Leslie J. Kessler
President, Chief Executive Officer (Principal Operating Officer)

Date: April 14, 2008 /s/ Terry R. Lazar

Terry R. Lazar
Director and Chief Financial Officer (Principal Financial and Accounting Officer)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Water Chef, Inc.
Mellville, New York

We have audited the accompanying balance sheet of Water Chef, Inc., (a development stage company) as of December 31, 2007 and the related statements of operations, stockholders' deficiency and cash flows for the years ended December 31, 2007 and 2006 and for the period from January 1, 2002 (commencement as a development stage company) to December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Water Chef, Inc., (a development stage company) as of December 31, 2007 and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006 and for the period from January 1, 2002 (commencement as a development stage company) to December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has had recurring losses, and has a working capital and stockholders' deficiency as of December 31, 2007. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum & Kliegman LLP

Marcum & Kliegman LLP

New York, New York
April 11, 2008

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WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

Current Assets:	
Cash	$ 415,
Prepaid expenses	41,
Total Current Assets	457,
Equipment, net of accumulated depreciation of $2,063	18,
Patents and trademarks, net	38,
Deferred financing costs, net	2,
Other assets	9,
TOTAL ASSETS	$ 526,

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:	
Accounts payable and accrued expenses	492,
Accrued compensation	104,
Accrued consulting and director fees	166,
Notes and convertible note payable (including accrued interest of $417,542)	895,
Convertible promissory note including accrued interest	

of $7,945 and net of debt discount of $67,900)	190,
Loans payable to officers (including accrued interest Of $7,425)	107,
Fair-value of detachable warrants and options	170,
Fair-value of embedded conversion option	239,
Accrued dividends payable	190,
TOTAL LIABILITIES	$ 2,555,

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' DEFICIENCY:

Preferred stock, $.001 par value; 10,000,000 shares authorized; 185,194 shares issued and outstanding, (liquidation preference $2,375,650)	
Common stock, $.001 par value; 340,000,000 shares authorized; 204,177,806 shares issued; 204,173,406 shares outstanding	204,
Additional paid-in capital	26,129,
Treasury stock, 4,400 common shares, at cost	(5,
Accumulated deficit (includes $13,285,397 of deficit accumulated during the development stage)	(28,356,
TOTAL STOCKHOLDERS' DEFICIENCY	(2,029,
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 526,

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

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WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

STATEMENTS OF OPERATIONS

		For period from 2002 (Da Commencem a Devel Stage C to Decem
	Years Ended December 31,	

	2007	2006	200
Sales	$ --	$ 115,000	$ 4
Costs and Expenses (Income):			
Cost of sales	23,000	114,000	5
Selling, general and administrative - including stock based compensation of $636,916 and $767,699 for the years ended December 31, 2007 and 2006, respectively and $2,182,005 for the period from January 1, 2002 to December 31, 2007	1,356,895	1,559,464	7,0
Non-dilution agreement termination costs	--	--	2,4
Research and development	435,363	--	4
Interest expense (including interest expense for related party of $7,425 and $23,868 for the years ended December 31, 2007 and 2006, Respectively and $126,765 for the period January 1, 2002 to December 31, 2007)	317,067	380,553	1,4
Financing costs - extension of warrants	--	--	
Loss on settlement of debt	--	--	2,6
Interest expense - conversion provision	113,000	--	1
Change in fair value of warrants and embedded conversion option	(544,200)	133,900	(4
	1,701,125	2,187,917	14,2
Net loss	(1,701,125)	(2,072,917)	(13,8
Deemed dividend on preferred stock	--	--	(2,0
Preferred stock dividends	(108, 699)	(42,401)	(6
Net loss applicable to common stockholders	$ (1,809,824)	$ (2,115,318)	$ (16,5
Basic and Diluted Loss Per Common Share	$ (0.01)	$ (0.01)	
Weighted Average Common Shares Outstanding - Basic and Diluted	190,285,689	193,408,939	

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

WATER CHEF, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
For the Period from January 1, 2002 (Date of Commencement as a
Development Stage Company) to December 31, 2007

Preferred Stock

	Shares	Amount	Share
BALANCE - JANUARY 1, 2002	145,500	$ 146	86,614
Extension of life of warrants	--	--	
Proceeds from sale preferred stock ($1.00 per share)	125,000	125	
Proceeds from sale of common stock ($0.025 per share)	--	--	2,500
Common stock issued for services ($0.08 per share)	--	--	450
Collection of subscription receivable	--	--	
Net Loss	--	--	
BALANCE - DECEMBER 31, 2002	270,500	$ 271	89,564
Proceeds from sale of preferred stock			
March 31, 2003 ($1.00-$2.00 per share)	62,500	63	
June 30, 2003 ($0.50 per share)	75,000	75	
September 30, 2003 ($1.00-$2.40 per share)	163,281	163	
December 31, 2003 ($1.33-$2.80 per share)	145,450	145	
Preferred stock issued for services			
March 31, 2003 ($1.00 per share)	30,000	30	
June 30, 2003 ($1.00 per share)	51,250	51	
September 30, 2003 ($1.00 per share)	67,035	67	
December 31, 2003 ($1.88-$4.00 per share)	22,150	22	
Collection of subscription receivable	--	--	
Write-off of subscription receivable	--	--	
Net Loss	--	--	
BALANCE - DECEMBER 31, 2003	887,166	$ 887	89,564
Proceeds from sale of preferred stock			
March 31, 2004 ($2.40-$4.80 per share)	130,077	130	
June 30, 2004 ($0.80 per share)	15,625	16	
Preferred stock issued for services			
March 31, 2004 ($2.00-$4.80 per share)	49,433	49	
Proceeds from sale of common stock			
September 30,2004 ($0.03-$0.15 per share)	--	--	2,541
December 31, 2004 ($0.05-$0.10 per share)	--	--	2,487
Common stock issued for services			

March 31, 2004			
($0.05 Per share)	--	--	477
September 30,2004			
($0.05-$0.15 per share)	--	--	1,857
December 31, 2004			
($0.08-$0.10 per share)	--	--	532
Preferred stock dividend	--	--	
Common stock issued for satisfaction of liabilities			
June 30, 2004			
($0.15 per share)	--	--	37,786
December 31, 2004			
($0.134 per share)	--	--	411

The accompanying notes are an integral part of these financial state

WATER CHEF, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
For the Period from January 1, 2002 (Date of Commencement as a
Development Stage Company) to December 31, 2007

	Preferred Stock		C
	Shares	Amount	Shares
Preferred stock converted to common stock			
June 30, 2004	(133,250)	(133)	5,108,
September 30, 2004	(269,263)	(269)	12,103,
December 31, 2004	(65,375)	(65)	3,015,
Net loss	--	--	--
BALANCE - DECEMBER 31, 2004	614,413	$ 615	155,885,
Proceeds from sale of common stock			
March 31,2005			
($0.05 per share)	--	--	200,
June 30,2005			
($0.05-$0.06 per share)	--	--	700,
September 30,2005			
($0.07-$0.10 per share)	--	--	2,455,
December 31, 2005			
($0.05-$0.07 per share)	--	--	3,879,
Common stock issued for services			
March 31, 2005			
($0.05-$0.10 per share)	--	--	230,
December 31, 2005			
($0.05-$0.06 per share)	--	--	407,
Preferred stock dividend	--	--	-
Extension of 1,666,667 warrants	--	--	-
Common stock issued for satisfaction of liabilities			
September 30, 2005			

($0.07 per share)	--	--	571,
December 31, 2005			
($0.142 per share)	--	--	100,
Preferred stock converted to common stock			
March 31, 2005	(55,970)	(56)	2,518,
June 30, 2005	(34,020)	(34)	1,360,
September 30, 2005	(286,650)	(287)	13,382,
December 31, 2005	(2,188)	(2)	87,
Net loss	--	--	-
BALANCE - DECEMBER 31, 2005	235,585	$ 236	181,779,
Proceeds from sale of common stock			
March 21, 2006			
($0.07 per share)	--	--	3,600,
May 8, 2002			
($0.08-$0.10 per share)	--	--	3,769,
June 28, 2006			
($0.10 per share)	--	--	100,
August 17, 2006			
($0.07 per share)	--	--	400,
Common stock issued for services			
March 21, 2006			
($0.06 per share)	--	--	250,
May 8, 2006			
($0.05 per share)	--	--	450,
June 6, 2006			
($0.15 per share)	--	--	166,
Common stock issued for repayment of debt			
February 13, 2006			
($0.11 per share)	--	--	438,
April 3, 2006			
($0.08 per share)	--	--	614,
April 6, 2006			
($0.08 Per share)	--	--	1,959,
June 6, 2006			
($0.10-$0.15 per share)	--	--	3,583,
Preferred stock converted to common stock	(46,668)	(47)	1,866,

The accompanying notes are an integral part of these financial state

WATER CHEF, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
For the Period from January 1, 2002 (Date of Commencement as a
Development Stage Company) to December 31, 2007

	Preferred Stock		Com
	Shares	Amount	Shares
Reclassification of derivative liabilities upon conversion of debt	--	--	--

4,000,000 Warrants granted for services, May 18, 2006	--	--	--
2,500,000 Warrants granted for services, May 24, 2006	--	--	--
Reclassification of warrants and embedded conversion option upon issuance of convertible debt	--	--	--
Preferred stock dividend	--	--	--
Net loss	--	--	--
BALANCE - DECEMBER 31, 2006	188,917	$ 189	198,977,49
Proceeds from Sale of Common Stock:			
May 10, 2007 ($0.090 per share)	--	--	1,111,112
May 10, 2007 ($0.083 per share)	--	--	2,409,640
May 31, 2007 ($0.090 per share)	--	--	555,555
June 26, 2007 ($0.083 per share)	--	--	1,203,080
October 26, 2007 ($0.063 per share)	--	--	3,159,558
November 7, 2007 ($0.059 per share)	--	--	1,675,978
December 5, 2007 ($0.051 per share)	--	--	1,948,052
December 12, 2007 ($0.050 per share)	--	--	1,973,684
December 13, 2007 ($0.051 per share)	--	--	1,948,052
December 20, 2007 ($0.044 per share)	--	--	2,255,639
Stock for compensation:			
May 2, 2007 ($0.110 per share)	--	--	2,500,000
December 14, 2007 ($0.040 per share)	--	--	1,000,000
Common stock issued in repayment of debt:			
February 26, 2007 ($0.132 per share)	--	--	195,212
March 8, 2007 ($0.111 per share)	--	--	234,165
March 14, 2007 ($0.111 per share)	--	--	256,643
March 19, 2007 ($0.099 per share)	--	--	262,650
March 23, 2007 ($0.097 per share)	--	--	806,583
April 4, 2007 ($0.095 per share)	--	--	546,901
May 1, 2007 ($0.086 per share)	--	--	908,885
Stock for late payment penalty:			
May 22, 2007 ($0.100 per share)	--	--	100,000
Preferred stock converted to common stock:			
February 16, 2007	(2,848)	(3)	113,920
May 4, 2007	(250)	--	10,000
December 12, 2007	(625)	(1)	25,000

Cancellation of debt for no consideration	--	--	--
Surrender and cancellation of common stock	--	--	(20,000,000
Reclassification of derivative liability	--	--	--
Amortization of warrants and option for stock based compensation	--	--	--
Common stock to be issued	--	--	--
Preferred stock dividend	--	--	--
Net loss	--	--	--
BALANCE - DECEMBER 31, 2007	185,194	$ 185	204,177,806

The accompanying notes are an integral part of these financial stat

WATER CHEF, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
For the Period from January 1, 2002 (Date of Commencement as a
Development Stage Company) to December 31, 2007

-continued-	Stock Subscription Receivable	Treasury Stock	Accumul Defic
BALANCE - JANUARY 1, 2002	$ (67,500)	$ (5,768)	$(14,53
Extension of life of warrants	--	--	
Proceeds from sale preferred stock ($1.00 per share)	--	--	
Proceeds from sale of common stock ($0.025 per share)	--	--	
Common stock issued for services ($0.08 per share)	--	--	
Collection of subscription receivable	30,200	--	
Net Loss	--	--	(1,589
BALANCE - DECEMBER 31, 2002	(37,300)	(5,768)	(16,121
Proceeds from sale of preferred stock			
March 31, 2003 ($1.00-$2.00 per share)	--	--	
June 30, 2003 ($0.50 per share)	--	--	
September 30, 2003 ($1.00-$2.40 per share)	--	--	
December 31, 2003 ($1.33-$2.80 per share)	--	--	
Preferred stock issued for services			
March 31, 2003 ($1.00 per share)	--	--	
June 30, 2003 ($1.00 per share)	--	--	
September 30, 2003			

($1.00 per share)	--	--	
December 31, 2003			
($1.88-$4.00 per share)	--	--	
Collection of subscription receivable	15,500	--	
Write-off of subscription receivable	21,800	--	
Net Loss	--	--	(3,535
BALANCE - DECEMBER 31, 2003	--	(5,768)	(19,656
Proceeds from sale of preferred stock			
March 31, 2004			
($2.40-$4.80 per share)	--	--	
June 30, 2004			
($0.80 per share)	--	--	
Preferred stock issued for services			
March 31, 2004			
($2.00-$4.80 per share)	--	--	
Proceeds from sale of common stock			
September 30,2004			
($0.03-$0.15 per share)	--	--	
December 31, 2004			
($0.05-$0.10 per share)	--	--	
Common stock issued for services			
March 31, 2004			
($0.05 per share)	--	--	
September 30,2004			
($0.05-$0.15 per share)	--	--	
December 31, 2004			
($0.08-$0.10 per share)	--	--	
Preferred stock dividend	--	--	
Common stock issued for satisfaction of liabilities			
June 30, 2004			
($0.15 per share)	--	--	
December 31, 2004			
($0.134 per share)	--	--	

The accompanying notes are an integral part of these financial statements

WATER CHEF, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
For the Period from January 1, 2002 (Date of Commencement as a
Development Stage Company) to December 31, 2007

-continued-	Stock Subscription Receivable	Treasury Stock	Accumul Defic
Preferred stock converted to common stock			
June 30, 2004	--	--	
September 30, 2004	--	--	

December 31, 2004	--	--	
Net loss	--	--	(3,75
BALANCE - DECEMBER 31, 2004	--	(5,768)	(23,41
Proceeds from sale of common stock			
March 31,2005			
($0.05 per share)	--	--	
June 30,2005			
($0.05-$0.06 per share)	--	--	
September 30,2005			
($0.07-$0.10 per share)	--	--	
December 31, 2005			
($0.05-$0.07 per share)	--	--	
Common stock issued for services			
March 31, 2005			
($0.05-$0.10 per share)	--	--	
December 31, 2005			
($0.05-$0.06 per share)	--	--	
Preferred stock dividend	--	--	
Extension of 1,666,667 warrants	--	--	
Common stock issued for satisfaction of liabilities			
September 30, 2005			
($0.07 per share)	--	--	
December 31, 2005			
($0.142 per share)	--	--	
Preferred stock converted to common stock			
March 31, 2005	--	--	
June 30, 2005	--	--	
September 30, 2005	--	--	
December 31, 2005	--	--	
Net loss	--	--	(1,16
BALANCE - DECEMBER 31, 2005	--	(5,768)	(24,58
Proceeds from sale of common stock			
March 21, 2006			
($0.07 per share)	--	--	
May 8, 2006			
($0.08-$0.10 per share)	--	--	
June 28, 2006			
($0.10 per share)	--	--	
August 17, 2006			
($0.07 per share)	--	--	
Common stock issued for services			
March 21, 2006			
($0.06 per share)	--	--	
May 8, 2006			
($0.05 per share)	--	--	
June 6, 2006			
($0.15 per share)	--	--	
Common stock issued for repayment of debt			
February 13, 2006			

($0.11 per share)	--	--
April 3, 2006		
($0.08 per share)	--	--
April 6, 2006		
($0.08 per share)	--	--
June 6, 2006		
($0.10-$0.15 per share)	--	--
Preferred stock converted to common stock	--	--

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

WATER CHEF, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
For the Period from January 1, 2002 (Date of Commencement as a Development Stage Company) to December 31, 2007

-continued-	Stock Subscription Receivable	Treasury Stock	Accumu Defi
Reclassification of derivative liabilities upon			
Conversion of debt	--	--	
4,000,000 Warrants granted for services,			
May 18, 2006	--	--	
2,500,000 Warrants granted for services,			
May 24, 2006	--	--	
Reclassification of warrants			
and embedded conversion option upon			
issuance of convertible debt	--	--	
Preferred stock dividend	--	--	
Net loss	--	--	(2,0
BALANCE - DECEMBER 31, 2006	$ --	$ (5,768)	$(26,6
Proceeds from Sale of Common Stock:			
May 10, 2007			
($0.090 per share)	--	--	
May 10, 2007			
($0.083 per share)	--	--	
May 31, 2007			
($0.090 per share)	--	--	
June 26, 2007			
($0.083 per share)	--	--	
October 26, 2007			
($0.063 per share)	--	--	
November 7, 2007			
($0.059 per share)	--	--	
December 5, 2007			
($0.051 per share)	--	--	
December 12, 2007			
($0.050 per share)	--	--	
December 13, 2007			
($0.051 per share)	--	--	
December 20, 2007			
($0.044 per share)	--	--	

Stock for compensation:			
May 2, 2007			
($0.110 per share)	--	--	
December 14, 2007			
($0.040 per share)	--	--	
Common stock issued in repayment of debt:			
February 26, 2007			
($0.132 per share)	--	--	
March 8, 2007			
($0.111 per share)	--	--	
March 14, 2007			
($0.111 per share)	--	--	
March 19, 2007			
($0.099 per share)	--	--	
March 23, 2007			
($0.097 per share)	--	--	
April 4, 2007			
($0.095 per share)	--	--	
May 1, 2007			
($0.086 per share)	--	--	
Stock for late payment penalty:			
May 22, 2007			
($0.100 per share)	--	--	
Preferred stock converted to common stock:			
February 16, 2007	--	--	
May 4, 2007	--	--	
December 12, 2007	--	--	
Cancellation of debt for no consideration	--	--	
Surrender and cancellation of common stock	--	--	
Reclassification of derivative liability	--	--	
Amortization of warrants and op stock based compensation	--	--	
Cash proceeds from common stock subscription December 26, 2007	--	--	
Preferred stock dividend	--	--	
Net loss	--	--	(1,7
BALANCE - DECEMBER 31, 2007	$ --	$ (5,768)	$(28,3

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

WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

STATEMENTS OF CASH FLOWS

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	Year Ended December 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,701,125)	$ (2,072,917)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	2,063	--
Amortization of patents	2,623	1,854
Interest expense - amortization of deferred financing	9,707	7,500
Stock based compensation	636,916	767,699
Interest expense - conversion provision	113,000	--
Accretion of debt discount	204,901	217,320
Change in fair value of warrants and embedded conversion option	(544,200)	133,900
Loss on settlement of debt	--	2,614,017
Non-dilution agreement termination cost	--	--
Inventory reserve	--	--
Write-off of stock subscription receivable	--	--
Financing costs - warrant extension	--	--
Change in assets and liabilities		
Inventory	--	30,000
Prepaid expenses and other current assets	(28,962)	3,682
Accounts payable, accrued expenses, accrued dividends, accrued compensation, accrued consulting and director fees, customer deposits and other current liabilities	244,940	(74,148)
NET CASH USED IN OPERATING ACTIVITIES	(1,060,137)	(985,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,050)	--
Patent costs	(25,543)	--
NET CASH USED IN INVESTING ACTIVITIES	(46,593)	--
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of stock subscription receivable	--	--
Proceeds from sale of preferred stock	--	--
Proceeds from sale of common stock	1,150,000	568,000
Proceeds from sale of common stock to be issued	100,000	--
Deferred financing costs	(7,530)	(7,500)
Proceeds from convertible promissory note	250,000	300,000
Proceeds from officers and directors loans	100,000	--
Repayment of notes payable	(170,056)	(20,269)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,422,414	840,231
NET INCREASE (DECREASE) INCREASE IN CASH	315,684	(144,879)
CASH AT BEGINNING OF YEAR	99,716	244,595
CASH AT END OF YEAR	$ 415,400	$ 99,716
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the years for:		
Interest	$ 10,556	$ 312,293
NON-CASH FINANCING ACTIVITIES:		
Compensation satisfied by issuance of common stock	$ --	$ --

Common stock issued in satisfaction of liabilities	$ 311,078	$ 650,563
Reclassification of derivative liabilities upon conversion of debt	$ (227,300)	$ 368,800
Reclassification of equity instruments to liabilities upon issuance of debt	$ --	$ 288,900
Cancellation of debt for no consideration	$ 1,327,321	$ --

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

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WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

Water Chef, Inc. (the "Company"), is a Delaware Corporation currently engaged in the design and development of its technology to be used in the marketing and sale of water purification systems both in and outside the United States. The Company's corporate headquarters is in Melville, New York.

The Company has generated nominal revenues to date; accordingly, the Company is considered a development stage enterprise as defined in Financial Accounting Standards Board No. 7, "Accounting and Reporting for Development Stage Companies." The Company is subject to a number of risks similar to those of other companies in an early stage of development.

NOTE 2 - BASIS OF PRESENTATION AND CONTINUED OPERATIONS

Basis of Presentation

The Company discontinued its water cooler and filtration operations in November 2001. As a result, the Company has refocused its efforts on raising capital and developing markets for its proprietary technology. Therefore, for financial purposes, the Company has determined that it has re-entered the development stage commencing January 1, 2002. The Company's statements of operations, stockholders' deficiency and cash flows for the year ended December 31, 2007 represent the financial information cumulative, from inception/commencement, required by Statement of Financial Accounting Standards ("SFAS") No. 7, "Development Stage Enterprises."

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern and the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of approximately $1,700,000 and $2,073,000 for the years ended December 31, 2007 and 2006, respectively. The Company has a working capital deficit and a stockholders' deficiency of approximately $2,098,000 and $2,029,000 at December 31, 2007 respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans with respect to these matters include restructuring its existing debt and raising additional capital through future issuances of stock and/or debt. The Management plans to raise an additional 10 million dollars in the next twelve months to fund the completion of the FRWTS prototype, to launch the new marketing program, to establish sales and marketing network, to start production and build inventory units, and to provide on-going working capital. The management anticipates that by the 4th quarter of 2008, we will be fully commercially operational and cease to be a development stage entity. However, should the Company not be successful in obtaining the necessary financing to fund its operations it would need to curtail certain of its business activities. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The most significant estimates, among other things, are used in accounting for allowances for deferred income taxes, expected realizable values for long-lived assets (primarily intangible assets), contingencies, as well as the recording and presentation of its common stock and related warrants issuances. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2007 the Company did not have any cash equivalents.

Patents and Trademarks

Patents and trademarks are amortized ratably over 9 to 14 years. The Company assesses the carrying value of its patents for impairment each year. Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2007 and 2006, respectively.

Deferred Financing Costs

Cost incurred in conjunction with the debt financing has been capitalized and will be amortized to interest expense using the straight line method, which approximates the interest rate method over the term of the debt.

Equipment

Equipment procured in the normal course of business is stated at cost. Equipment is being depreciated on a straight-line method over the estimated useful lives of the assets, which generally range from two to seven years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation of these assets are removed from the accounts and the resulting gains or losses are reflected in the statement of operations. Maintenance and repair expenses are charged to operations as incurred. As of December 31, 2007, equipment was primarily comprised of office equipment. Depreciation expense amounted to $2,063 for the year ended December 31, 2007.

Stock-Based Compensation

The Company reports stock based compensation under Statements of Financial Accounting Standards ("SFAS") No. 123R ("123R") "Share Based Payment." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS 123R and the Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or In Conjunction with Selling, Goods or Services" ("EITF 96-18") which require that such equity instruments are recorded at their fair value on the measurement date, which is typically the date the services are performed.

The Black-Scholes option valuation model is used to estimate the fair value of the options or their equivalent granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants that have no vesting restrictions and that are fully transferable. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the options granted.

During the years ended December 31, 2007 and 2006 the Company granted 14,100,000 and 6,500,000 warrants to employees and consultants for services provided. Accordingly the Company incurred a charge for stock based compensation of approximately $311,900 and $705,200, respectively.

The principal assumptions used in applying the Black-Scholes model along with the results from the model were as follows:

	Years Ended December 31,	
	2007	2006
Assumption:		
Risk-free interest rate	5.00 %	4.00 %
Expected life, in years	3 years	3 years
Expected volatility	90%	118%

During the year ended December 31, 2007 and 2006, the Company issued 3,500,000 and 866,666 shares of common stock and incurred a stock based compensation charge for approximately $325,000 and $62,500, respectively based on the fair value on the date of the award.

WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs, which are included in selling, general and administrative expenses, were diminimus for the years ended December 31, 2007 and 2006, respectively.

Income Taxes

Income taxes are accounted for under SFAS No. 109, "Accounting for Income Taxes," which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Valuation allowances are established when necessary to reduce deferred assets to the amounts expected to be realized.

Loss Per Share

Basic loss per share was computed using the weighted average number of outstanding common shares. Diluted loss per share includes the effect of dilutive common stock equivalents from the assumed exercise of options, warrants and convertible preferred stock. Common stock equivalents were excluded from the computation of diluted loss per share since their inclusion would be anti-dilutive. Total shares issuable upon the exercise of options, warrants and the conversion of preferred stock and convertible debt for the years ended December 31, 2007 and 2006, were comprised as follows.

	As of December 31, 2007	2006
Warrants	25,889,331	7,812,352
Convertible debt	13,735,042	6,519,190
Series F preferred stock	1,587,760	1,736,720
Total common stock equivalents	41,212,133	16,068,262

WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of the financial instruments reported in the balance sheet approximate their fair market value due to the short-term maturities of these instruments. The fair value of the Company's long-term debt is estimated using quoted market prices and estimated rates which would be available to the Company for debt with similar terms.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the cost of an asset may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to fair value is required.

Research and Development

Research and development costs consist of expenditures incurred during the course of planned research and investigation aimed at the discovery of new knowledge, which will be useful in developing new products or processes. The Company expenses all research and development costs as incurred. During the year ended December 31, 2007 the Company incurred $435,363 of research and development costs which are included in the statement of operations.

Derivative Financial Instruments

In connection with the issuance of certain convertible promissory notes, the terms of the convertible notes included an embedded conversion feature; which provided for a conversion of the convertible promissory notes into shares of the Company's common stock at a rate which was determined to be variable. The Company determined that the conversion feature was an embedded derivative instrument pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, and Emerging Issues Task Force ("EITF") Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants at their fair values as of the inception date of the convertible debenture agreements and at fair value as of each subsequent balance sheet date. In addition, under the provisions of EITF Issue No. 00-19, as a result of entering into the convertible promissory notes, the Company was required to classify all other non-employee warrants and options as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification required under EITF Issue No. 00-19 changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

Registration Payment Arrangements

The Company accounts for registration rights agreements in accordance with Financial Accounting Standards Board ("FASB") Staff Position (FSP) No. EITF 00-19-2, "Accounting for Registration Payment Arrangements" ("FSP EITF 00-19-2"), which specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, "Accounting for Contingencies". FSP EITF 00-19-2 also requires additional disclosure regarding the nature of any registration payment arrangements, alternative settlement methods, the maximum potential amount of consideration and the current carrying amount of the liability, if any. For the year ended December 31, 2007, the Company has incurred an additional charge of $5,000 for the registrations penalties as disclosed in Note 6.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. SFAS 157 is

effective for financial statements issued after November 15, 2007. The adoption of this pronouncement did not have an impact on the Company's financial position, results of operations, or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Generally accepted accounting principles have required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS 157 and SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS 159 is effective as of the beginning of fiscal year 2009. The Company is evaluating the impact SFAS 159 may have on the financial position, results of operations, or cash flows.

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WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

NOTES TO FINANCIAL STATEMENTS
Continued

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations", and is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 with earlier adoption prohibited. SFAS 141(R) requires the new acquiring entity to recognize all assets acquired and liabilities assumed in the transactions; establishes an acquisition-date fair value for acquired assets and liabilities; and fully discloses to investors the financial effect the acquisition will have. SFAS 141 (R) would have an impact on accounting for any business acquired after the effective date of this pronouncement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements, and requires that transactions between entities and noncontrolling interests be treated as equity. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 with earlier adoption prohibited. The adoption of this pronouncement is not expected to have a material impact on the financial position, results of operations and cash flows.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133 "("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments. (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The guidance in SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. At this time, management is evaluating the implications of SFAS 161 and its impact on the financial statements has not yet been determined.

The FASB, the Emerging Issues Task Force and the SEC have issued certain other accounting pronouncement and regulations as of December 31, 2007 that will become effective in subsequent periods. However we did not believe that any of those pronouncement would have significantly affected the financial accounting measures or disclosures had they been in effect during 2007 or 2006, and do not believe that any of those pronouncements will have a significant impact to the financial statements at the time they become effective.

NOTE 4 - PATENTS AND TRADEMARKS

Patents and trademarks as of December 31, 2007 consist of the following:

Patents	$ 50,043
Trademarks	1,555
Total cost	51,598
Accumulated amortization	(13,275)
Patents and Trademarks, Net	$ 38,323

Amortization expense for the years ended December 31, 2007 and 2006 was $2,623 and $1,854, respectively. The following table presents the Company's estimate for amortization expense for each of the five succeeding years and thereafter.

2008	$ 3,557
2009	3,557
2010	3,557
2011	3,557
2012	3,557
2013 and thereafter	20,538
	$ 38,323

WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - NOTES AND CONVERTIBLE NOTE PAYABLE

Notes payable and accrued interest at December 31, 2007 consists of the following:

(a)	$ 197,830
(b)	627,934
(c)	69,313
Total	$ 895,077

(a) These are unsecured notes bearing interest ranging from 10% to 15% per annum, with no specific due date for repayment. The amount due on these notes, inclusive of $114,608 of interest is $197,830 at December 31, 2007. No demands for repayment have been made by the note holder.

(b) In April 2001, the Company issued a $400,000 promissory note at an interest rate of 2% per month. In consideration for the issuance of this note, 500,000 shares of the Company's common stock were issued to the note holder and a $74,000 debt discount was recorded and fully amortized in the year ended

December 31, 2001. The principal balance and accrued interest was payable on September 1, 2001. The Company did not make such payment and was required to issue an additional 100,000 penalty shares of its common stock to the note holder. The Company recorded additional interest expense of $12,300 related to the issuance of these penalty shares. In October 2007, the Company entered into a settlement agreement with this note holder (See Note 15). Under the agreement, the Company is obligated to make payments of $75,000 each on or before December 31, 2007 (which was paid) and June 30, 2008. In addition, the Company is obligated to issue 2,500,000 shares of common stock to the note holder as settlement for the remaining balance due under the promissory note of $477,934. The Company issued 1,250,000 shares of the 2,500,000 in January 2008.

(c) In November 2000, the Company entered into a Convertible Promissory Note agreement with a Company of which a former board of director member has an ownership interest. Under the terms of the agreement, the Company may be advanced a maximum of $300,000. The Company was advanced the following: $100,000 in November 2000, $50,000 in December 2000 and $50,000 in January 2001. No further cash advances were made to the Company. The Convertible Promissory Note agreement also called for the payment of $100,000 of Company expenses. The advances bear interest at 10% per annum and were to have been repaid as of January 15, 2002. A maximum of 6,000,000 shares could have been issued upon conversion had the full $300,000 been advanced. As of December 31, 2007, the balance of the convertible promissory note principal was $69,313.

NOTE 6 - CONVERTIBLE PROMISSORY NOTES

On October 17, 2006, the Company entered into a Convertible Promissory Note and received proceeds of $300,000. The loan had a stated interest rate of 8% per annum and matured on February 17, 2007. The Company issued a warrant for 882,352 shares of the Company's common stock, exercisable at $0.085 per share and has a life of three years. The warrant has a cashless exercise provision. The note and accrued interest were convertible at any time after the maturity date into shares of the Company's common stock at a conversion price equal to 82.5% of the then current market price. The gross proceeds of $300,000 were recorded net of a discount of $174,200. The debt discount consisted of $12,800 related to the fair value of the warrants and $161,400 related to the fair value of the embedded conversion option. The debt discount was charged to interest expense ratably over the life of the loan. The lender converted the entire note of $300,000 and $11,078 of interest into 3,211,039 shares of common stock during the year ended December 31, 2007.

NOTE 6 - CONVERTIBLE PROMISSORY NOTES (continued)

On September 7, 2007, the Company entered into an agreement (the "Loan Agreement"), pursuant to which the Company issued convertible notes in the aggregate of $250,000 at an interest rate of 10% per annum. In addition, the Company issued 1,384,786 warrants to purchase common stock at an exercise price of $0.096 per share. The notes mature on March 5, 2008. The holders of the notes are entitled to convert all or a portion of the notes into shares of common stock at a conversion price equal to the lower of $0.12 per share or 82.5% of the average of the three lowest closing bid prices for the 10 trading days immediately preceding the conversion date. The notes and warrants provide rights to the holders to convert the notes or exercise the warrants. However such actions cannot result in the holders being the beneficial owner of more than 4.99% of the Company's outstanding common stock at that time.

Under the terms of the agreement the Company was required to file a registration statement covering the resale of the shares issuable under the agreement by October 17, 2007. In addition, the Company was obligated to obtain an effective registration statement by December 16, 2007. If the Company was unable to have the registration statement declared effective, the Company would have incurred penalties of 2% per month of the principal balance. The Company filed the registration statement on October 17, 2007 and obtained effectiveness on December 26, 2007. The Company accrued $5,000 for penalty.

The Loan Agreement provided that the lenders are contingently obligated to lend the Company an additional aggregate amount of $150,000 when and if the registration statement was declared effective. The substantive terms and conditions of the notes and warrants to be issued on the second closing date would be same as those in the notes and warrants issued on September 7, 2007. As of December 31, 2007, the Company has not drawn down from the lender the $150,000.

The Company accounted for the September 7, 2007 transaction in accordance with EITF issue No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.". Accordingly, the warrants and the embedded conversion option are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds of $250,000 were recorded net of a discount of $203,000. The debt discount consisted of $68,400 related to the fair value of the warrants and $135,300 related to the fair value of the embedded conversion option. The debt discount is charged to interest expense ratably over the life of the loan. As of December 31, 2007, the balance of the convertible promissory note principal and accrued interest was $190,045 net of a debt discount of $67,900. In January, 2008, the Company issued 8,408,670 shares of stock for the settlement of $258,851 which includes $8,851 of accrued interest.

NOTE 7 - EQUITY AGREEMENT

On September 7, 2007, the Company entered into a private equity credit agreement (the "Equity Agreement") pursuant to which the Company may, at its discretion, periodically sell shares of the Company's common stock to an investor for a total purchase price of up to $5.0 million. For each share of common stock purchased under the Equity Agreement, the investor will pay the Company 94% of the three lowest closing bid prices during the valuation period of the Company's common stock for the 5 trading days immediately following the notice date. The investor's obligation to purchase shares of the Company's common stock under the Equity Agreement is subject to certain conditions, including volume limitations, the Company obtaining an effective registration statement for shares of common stock sold under the Equity Agreement and, among other things, is limited to purchases that will not result in the investor being the beneficial owner of more than 4.99% of the Company's outstanding common stock at that time. To date no funds have been received under this agreement.

Under the terms of the equity agreement the Company is required to file a registration statement and obtain its effectiveness prior to issuing any shares under the equity agreement. Should the Company not maintain the effectiveness of the registration statement the Company will be obligated to pay damages of 2% per month of the cost of the outstanding shares held by the investor. As of December 31, 2007, the Company has not registered the underlying shares and has not issued any shares or received any proceeds under the equity agreement.

WATER CHEF, INC.

(A Development Stage Company Commencing January 1, 2002)

NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - CONSULTING AGREEMENT

In October 2007, the Company formalized a consulting agreement for services regarding the development of an international marketing program. The Company agreed to compensate the consultant at a monthly rate o>

Finance income (expense), net
99
(200)

Profit (loss) before provision for income taxes
111
(520)

Taxes on income
-
75

Net profit (loss)
111
(595)

	Three months ended March 31, 2018	2017
Net cash provided by (used in) operating activities	$255	(2,006)
Net cash provided by (used in) investing activities	(10)	(15)
Net cash provided by (used in) financing activities	(266)	2,295
NET CASH INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(21)	274
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF THE PERIOD	4,503	4,023
TRANSLATION ADJUSTMENT OF CASH AND CASH EQUIVALENTS		
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF THE PERIOD	$4,482	4,297

NOTE 8 - SUBSEQUENT EVENTS

On May 8, 2018, the Company and YA II mutually agreed to terminate the Company's Standby Equity Distribution Agreement with YA II, or the 2017 SEDA. As a result of the termination of the 2017 SEDA, the Company's obligation to pay any and all of the remaining commitment fee owed under the 2017 SEDA was terminated as well.

On May 8, 2018, the Company and YA II amended the terms of the Series A Debentures and Series B Debenture to clarify that YA II shall not have the right to convert the Series A Debentures and Series B Debenture into shares of the Company's common stock in an amount to exceed 19.99% of the Company's issued and outstanding shares of common stock as of February 22, 2018, inclusive of certain shares of common stock sold by the Company to D-Beta One EQ, Ltd. on February 22, 2018. In addition, the Company and YA II agreed to amend the terms of the Warrants to remove the Company's right to voluntarily adjust the Warrant's exercise prices.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws, and is subject to the safe-harbor created by such Act and laws. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of su other variations thereon or comparable terminology. The statements herein and their implications are merely predictions and therefore inherently subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance levels of activity, or our achievements, or industry results to be materially different from those contemplated by the forward-looking statements. Such forward-looking statements appear in this Item 2 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and may appear elsewhere in this Quarterly Report on Form 10-Q and include, but are not limited to, statements regarding the following:

Demand for our products as well as future growth, either through internal efforts, development of new products, potential segments and markets or through acquisitions;

Levels of research and development costs in the future;

Continuing control of at least a majority of Micronet’s share capital;

The organic and non-organic growth of our business;

Plans for new Micronet products and services;

The proposed sale of our Aerospace and Defense division;

Our financing needs; and

The sufficiency of our capital resources.

Our business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained or implied in this report. Except as required by law, we assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. Further information on potential factors that could affect our business is described under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Readers are also urged to carefully review and consider the various disclosures we have made in that report. The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

Overview

We provide rugged mobile devices for the growing commercial mobile resource management, or MRM, market and high tech solutions for severe environments and the battlefield, including missile defense technologies for the aerospace and defense markets. Our MRM division develops, manufactures and provides mobile computing platforms for the multibillion dollar mobile logistics management market in the U.S., Europe and Israel. American-manufactured systems are designed for outdoor and challenging work environments in trucking, distribution, logistics, public safety and construction. We design, develop, manufacture and supply customized military computer-based systems, simulators, automatic test equipment and electronic instruments, addressing a multi-billion-dollar defense industry. Solutions and systems are integrated into critical systems such as command and control, missile fire control, maintenance of military aircraft and missiles for the Israeli Air Force, Israeli Navy and by foreign defense entities.

We operate primarily through two Israel-based companies, Enertec, our wholly-owned subsidiary, and Micronet, in which we have a controlling interest, which develop, manufacture, integrate and globally market rugged computers, tablets and computer-based systems and instruments for the commercial, aerospace and defense markets. Our products, solutions and services are designed to perform in severe environments and battlefield conditions.

Micronet is a publicly-traded company on TASE and operates in the growing commercial MRM market and is a global developer, manufacturer and provider of mobile computing platforms, designed for integration into fleet management and mobile workforce management solutions. In June 2014, Micronet expanded its MRM business and operations in the U.S. market through the acquisition of Beijer Electronics Inc., or Beijer, a U.S.-based vehicle business and operations located in Utah, or the Vehicle Business, and as a result adding to its business U.S.-based facilities which include manufacturing and technical support infrastructure, sales and marketing capabilities as well as expanding its U.S. customer base and presence with local fleets and local MRM service providers. As a result of this acquisition, Micronet currently operates via its Israeli and U.S. facilities, the first located in Azur, Israel, near Tel Aviv, and the second located in Salt Lake City, Utah.

Enertec operates in the aerospace and defense markets and designs, develops, manufactures and supplies various customized military computer-based systems, simulators, automatic test equipment and electronic instruments. Enertec’s solutions and systems are designed according to major aerospace integrators’ requirements and market technological needs and are integrated by them into critical systems such as command and control, missile fire control, maintenance of military aircraft and missiles for use by the Israeli Air Force, Israeli Navy and by foreign defense entities.

On December 31, 2017, we, Enertec and our wholly owned subsidiary, Enertec Management Ltd., entered into a Share Purchase Agreement with Coolisys, a subsidiary of DPW, pursuant to which we agreed to sell the entire share capital of Enertec to Coolisys. As consideration for the sale of Enertec’ entire share capital, Coolisys has agreed to pay at the closing of the transaction a purchase price of $5,250,000, of which $525,000 will be held in escrow for up to 14 months after the closing to satisfy certain potential indemnification claims, as well as assume up to $4,000,000 of Enertec debt which consideration certain adjustments set forth in the Share Purchase Agreement. Upon the signing of the Share Purchase Agreement, Coolisys agreed to deposit a termination fee of $300,000 into escrow to secure its obligations for closing. No closing for the sale of Enertec has taken place and we continue to operate Enertec in the normal course pending the closing of the Share Purchase Agreement. Enertec met the definition of a component. Accordingly, its assets and liabilities were classified as held for sale and the results of operations in the statement of operations and prior periods results have been reclassified as discontinued operation. The parties are working towards completing the closing conditions related to the bank's approval for the change of control.

Our strategy is driven and focused on continued internal growth through diligent efforts in our traditional growing markets with new technologies and innovative systems and products as well as the development of new potential segments and markets. Concurrent with our efforts to grow organically and in line with our strategy, we will continue to seek acquisitions that will complement and expand our product offerings, support our goals and increase our competitiveness. In order to help achieve our internal growth, we have expanded our production capacity and facilities. We strongly believe that by utilizing Micronet as our commercial arm we will be able to access new market segments and new customers, thereby increase our overall customer base. Our current target markets, in which we concentrate the majority of our resources, include the Israeli domestic market, the U.S. market and the European market.

In December 2015, the U.S. Department of Transportation's Federal Motor Carrier Safety Administration, or FMCSA, announced the publication of the final rule and implementation schedule of its Electronic Logging mandate. The FMCSA mandate requires interstate commercial truck and bus companies to use Electronic Logging Devices, or ELDs, in their vehicles to record their compliance with the safety rules that govern the number of hours a driver can work. Implementation of rule compliance will begin immediately, and full enforcement of the regulations commenced in 2017.

The FMCSA mandate on ELDs potentially significantly impacts both drivers and trucking companies and offers an opportunity for the industry to increase the use of mobile technology to achieve better efficiencies while at the same time meet the new compliance requirements. In order to log their hours of service, or HOS, the mandate requires all long-haul drivers to use ELDs rather than the old paper forms. Using ELDs will assist drivers to accurately share reports of their HOS electronically in real time. We estimate based on the compliance requirements that since all drivers must be in compliance by 2019, a significant number of large trucking companies will need to purchase ELDs to meet the mandatory requirements of the mandate and hence the demand for ELD compliance devices and/or products will increase.

Results of Operations

Three Months Ended March 31, 2018, compared to Three Months Ended March 31, 2017

Revenues for the three months ended March 31, 2018, were $5,980,000, compared to $2,701,000 for the three months ended March 31, 2017. This represents an increase of $3,279,000, or 121%, for the three months ended March 31, 2018. The increase in revenues for the three months ended March 31, 2018, is mainly due to an increase in Micronet revenues as a result of an increase in customer orders related to Micronet's new SmartHub product line.

Gross profit increased by $1,348,000 to $1,722,000 and represents 29% of the revenues for the three months ended March 31, 2018. This is in comparison to gross profit of $374,000 which represented 14% of the revenues for the three months ended March 31, 2017. The increase is mainly due to an increase in the volume of units sold relating to Micronet's new product line.

Selling and Marketing

Selling and marketing costs are part of operating expenses. Selling and marketing costs for the three months ended March 31, 2018, were $454,000, compared to $392,000 for the three months ended March 31, 2017. This represents an increase of $62,000, or 16%, for the three months ended March 31, 2018. The increase is mainly due to an increase in sales commissions as a result of the increase in revenues related to Micronet.

General and Administrative

General and administrative costs are part of operating expenses. General and administrative costs for the three months ended March 31, 2018, were $1,212,000, compared to $1,119,000 for the three months ended March 31, 2017. This represents an increase of $93,000, or 8%, for the three months ended March 31, 2018. The increase is mainly due to an increase in expenses related to options and a provision for doubtful debt.

Research and Development Costs

Research and development costs are part of operating expenses. Research and development costs, which mainly includes wages, materials and sub-contractors, for the three months ended March 31, 2018, were $527,000, compared to $397,000 for the three months ended March 31, 2017. This represents an increase of $130,000, or 33%, for the three months ended March 31, 2018. The increase in research and development costs is mainly due to an increase in payroll costs.

Loss from operations

Our loss from operations for the three months ended March 31, 2018, was $693,000, or 11% of revenues, compared to loss from operations of $1,769,000, or 65% of revenues, for the three months ended March 31, 2017. The decrease in loss from operations is mainly a result of the increase in revenues as described above.

Financial Expenses, benefit net

Financial expenses, net for the three months ended March 31, 2018, were $392,000, compared to a benefit of $60,000 for the three months ended March 31, 2017. This represents an increase of $452,000, for the three months ended March 31, 2018. The increase in financial expenses in the three months ended March 31, 2018, as compared to the three months ended March 31, 2017, was primarily due to expenses and interest we paid on loans.

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Net loss attributed to Micronet Enertec Technologies, Inc.

Our net loss attributed to Micronet Enertec was $850,000 in the three months ended March 31, 2018, compared to net loss of $1,612,000 in the three months ended March 31, 2017. This represents a decrease in net loss of $762,000, or 47%, as compared to the same period last year. The decrease in net loss is attributed to the increase in revenues as mentioned above.

Discontinued operation

As a result of the proposed sale of our Enertec subsidiary to Coolisys, we have classified Enertec's assets and liabilities as held for sale and the results of operations in the statement of operations and prior periods' results have been reclassified as a discontinued operation. Enertec's net loss decreased from $595,000 for the three months ended March 31, 2017, to a net profit of $111,000 for the three months ended March 31, 2018. The decrease in net loss is mainly attributed to an increase in gross margins and to a decrease in operating costs.

Non-GAAP Financial Measures

In addition to providing financial measurements based on generally accepted accounting principles in the United States, or GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP, or non-GAAP financial measures. Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance.

Management believes that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in our business, as they exclude expenses and gains that are not reflective of our ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors in understanding and evaluating our operating results and future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

The non-GAAP financial measures do not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP.

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The non-GAAP adjustments, and the basis for excluding them from non-GAAP financial measures are outlined below:

Amortization of acquired intangible assets - We are required to amortize the intangible assets, included in our GAAP financial statements, related to the through the acquisition of Beijer in 2014. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization are unique to this transaction. The amortization of acquired intangible assets is non-cash charges. We believe that such changes do not reflect our operational performance. Therefore, we exclude amortization of acquired intangible assets to provide investors with a consistent basis for comparing pre- and post-transaction operating results.

Amortization of note discount - These expenses are non-cash and are related to amortization of discount of the note purchase agreements with YA II PN, or YA II. Such expenses do not reflect our on-going operations.

Stock-based compensation – Stock based compensation consists of share based awards granted to certain individuals. They are non-cash and affected by our historical stock prices which are irrelevant to forward-looking analyses and are not necessarily linked to our operational performance.

The following table reconciles, for the periods presented, GAAP net loss from continued operation attributable to Micronet Enertec to non-GAAP net loss from continued operation:

	Three months ended March 31, (Dollars in Thousands, other than share and per share amounts)	
	2018	2017
GAAP net loss from continued operation attributable to Micronet Enertec	$(961)	$(1,017)
Amortization of acquired intangible assets	111	132
Stock-based compensation and shares issued to service providers	88	33
Amortization of note discount	37	-
Income tax-effect of above non-GAAP adjustments	-	(1)
Total Non-GAAP net loss from continued operation	$(725)	$(853)

Liquidity and Capital Resources

The Company finances its operations through current revenues, loans and securities offerings. The loans are divided into bank loans and loans from YA II, as described below.

As of March 31, 2018, our total cash and cash equivalents, restricted cash balance was $3,616,000, as compared to $2,398,000 as of December 31, 2017. This reflects an increase of $1,218,000 in cash and cash equivalents, restricted cash. The increase in cash and cash equivalents is primarily a result of a new loan from YA II, as discussed more fully below.

On December 31, 2017, we, Enertec and our wholly owned subsidiary, Enertec Management Ltd., entered into a Share Purchase Agreement with Coolisys, a subsidiary of DPW, pursuant to which we agreed to sell the entire share capital of Enertec to Coolisys. As consideration for the sale of Enertec's entire share capital, Coolisys has agreed to pay at the closing of the transaction a purchase price of $5,250,000, as well as assume up to $4,000,000 of Enertec debt which consideration may be subject to certain adjustments set forth in the Share Purchase Agreement. Enertec met the definition of a component. Accordingly, its assets and liabilities were classified as held for sale and the results of operations in the statement of operations and prior periods results have been reclassified as discontinued operation accordingly.

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In conjunction with, and as a condition to, the closing of the Share Purchase Agreement, the Company, Enertec, Coolisys, DPW and Mr. David Lucatz, the Company's Chief Executive Officer, agreed to execute a consulting agreement, or the Consulting Agreement, whereby the Company, via Mr. Lucatz, will provide Enertec with certain consulting and transitional services over a 3 year period as necessary and requested by the Coolisys (but in no event to exceed 20% of Mr. Lucatz's time). Coolisys (via Enertec) will pay the Company an annual consulting fee of $150,000 as well as issue the Company 150,000 restricted shares of DPW Class A common stock, or the DPW Equity, for such services, to be vested and released from restriction in three equal installments, with the initial installment vesting the day after the closing and the remaining installments vesting on each of the first 2 anniversaries of the closing. In the event of a change of control in the Company, or if Mr. Lucatz shall no longer be employed by the Company, the rights and obligations under the Consulting Agreement shall be assigned to Mr. Lucatz along with the DPW Equity.

On June 30, 2016, the Company and Enertec Electronics entered into a Note Purchase Agreement with YA II, whereby YA II purchased $600,000 of notes from the Company, or the June 2016 Note. The outstanding principal balance of the notes bears interest at 7% per annum. On a quarterly basis commencing on October 10, 2016, the Company was required to make payments of $150,000 of principal plus accrued interest. All amounts payable were to be due on July 10, 2017, which was subsequently extended to December 31, 2017. We made the required payments due on December 31, 2017.

On October 28, 2016, the Company and Enertec Electronics entered into an additional Note Purchase Agreement with YA II whereby YA II loaned an additional $500,000 to the Company pursuant to an additional secured promissory note, or the October 2016 Note. The outstanding principal balance of the additional note bore interest at 7% per annum. The additional note was to mature on November 20, 2017, which was subsequently extended to March 31, 2018.

On December 22, 2016, the Company and Enertec Electronics entered into a Supplemental Agreement with YA II, whereby YA II agreed to lend us an additional $1,000,000 pursuant to a secured promissory note, or the December 2016 Note. The outstanding principal balance of this note bore interest at 7% per annum. The note was to mature on December 20, 2017, which was subsequently extended to September 30, 2018.

On June 8, 2017, the Company and Enertec Electronics entered into the Second Supplemental Agreement with YA II, whereby YA II agreed to lend us $600,000 pursuant to an additional secured promissory note. The outstanding principal balance of the additional note bore interest at 7% per annum. The additional note was to mature on December 31, 2018. The Company has agreed to make payments of $100,000 on September 30, 2018, and $500,000 on December 31, 2018. The note, along with the other notes held by YA II, was secured by a pledge of shares of Micronet owned by Enertec Electronics.

Pursuant to the Second Supplemental Agreement, the Company, Enertec Electronics, and YA II agreed to amend the terms of the June 2016 Note, the October 2016 Note and the December 2016 Note. Pursuant to the Second Supplemental Agreement, the June 2016 Note was amended to (i) extend the maturity date to December 31, 2017, and (ii) amend the repayment schedule owed under such note such that $150,000 shall be payable by the Company on each of October 10, 2016, May 1, 2017, September 30, 2017, and December 31, 2017 (provided, however, that we had previously repaid the October 10, 2016, and May 1, 2017 payments). Pursuant to the Second Supplemental Agreement, the October 2016 Note was amended to (i) extend the maturity date to March 31, 2018 and (ii) amend the repayment schedule such that on May 1, 2017, the Company shall make a payment of $150,000 (provided, however, that we had previously repaid the May 1, 2017 payment), on September 30, 2017, the Company would make a payment of $100,000, on December 31, 2017 the Company would make a payment of $150,000 and on March 31, 2018, the Company would make a payment of $100,000. Pursuant to the Supplemental Agreement, the December 2016 Note was amended to (i) extend the maturity date to September 30, 2018, and (ii) amend the repayment schedule such that on March 31, 2018, the Company was required to make a payment of $300,000, on June 30, 2018, the Company was required to make a payment of $400,000 and on September 30, 2018, the Company was required to make a payment of $300,000.

In addition, the Company agreed to amend the exercise price of warrants to purchase 66,000 shares of our common stock issued to YA II on June 30, 2016, with an original exercise price of $4.30 per share, warrants to purchase 66,000 shares of our common stock issued to YA II on October 28, 2016, with an original exercise price of $3.00 per share, and warrants to purchase 120,000 shares of our common stock issued to YA II on December 22, 2016, with an original exercise price of $3.00 per share, to $2.00 per share. The warrants also provide for demand and piggyback registration rights.

The Company agreed to pay to YA Global II SPV LLC (as designee of YA II) a commitment fee in the amount of $25,000 and a $25,000 extension fee in consideration for amending the terms of the June 2016, October 2016 and December 2016 Notes. In addition, the Company agreed to accelerate a commitment fee of $50,000, payable pursuant to a First Supplemental Agreement dated December 22, 2016, to be paid at the closing of the December 2016 Note.

In connection with the Second Supplemental Agreement and issuance of the additional note, on June 8, 2017, we agreed to grant to YA II a five-year warrant to purchase 90,000 shares of our common stock. The warrant is exercisable at an exercise price equal to $2.00 per share of common stock for cash or on a cashless basis if no registration statement covering the resale of the shares issuable upon exercise of the warrant is available. The warrant also provides for demand and piggyback registration rights.

On June 8, 2017, we entered into another note purchase agreement with YA II whereby YA II agreed to lend us $600,000 pursuant to an additional secured promissory note. The outstanding principal balance of the additional note bore interest at 7% per annum. The additional note was to mature on December 31, 2018, and we were to make payments of $100,000 on September 30, 2018, and $500,000 on December 31, 2018.

On August 22, 2017, the Company and Enertec Electronics executed the Third Supplemental Agreement which supplements the Note Purchase Agreement executed by the parties on October 28, 2016, or the August 2017 Note. Pursuant to the Third Supplemental Agreement, we borrowed $1,500,000 from YA II pursuant to the terms of a secured promissory note. The outstanding principal balance of the note bore interest at 7% per annum. The note was to mature on November 22, 2017. On November 19, 2017, the Company and YA II amended the maturity date of the August 2017 Note to February 15, 2018, and provided that the Company may extend such maturity date to January 15, 2019, at its sole discretion.

Upon the occurrence of an Event of Default (as defined in the notes), all amounts payable may be due immediately. In addition, if we receive any cash proceeds in connection with the sale or proposed sale of any of our holdings in any of our subsidiaries (if and to the extent such transaction is consummated) including without limitation, installment payments or break-up fee payments, we are required to pre-pay the outstanding balance of the note as soon as such proceeds are received. The notes are secured by a pledge of shares of Micronet owned by Enertec Electronics.

On March 29, 2018, the Company and Enertec Electronics executed and closed on a securities purchase agreement with YA II, whereby the Company issued and sold to YA II (1) certain Series A Convertible Debentures in the aggregate principal aggregate amount of $3,200,000, which shall mature on October 1, 2019, and bears interest at 6% per annum, or the Series A Debentures, and (2) a Series B Convertible Debenture in the principal aggregate amount of $1,800,000, which shall mature on October 1, 2019 and bears interest at 6% per annum, or the Series B Debenture. The Series A Debentures were issued in exchange for the cancellation and retirement of the above described promissory notes issued by the Company to YA II in the June 2016 Note, the October 2016 Note, the December 2016 Note, and the August 2017 Note, or collectively, the Prior Notes, with a total outstanding aggregate principal amount of $3,200,000. The Series B Debenture was issued and sold for aggregate gross cash proceeds of $1,800,000. At the closing of the transactions contemplated by the securities purchase agreement, the Company agreed to pay YA II, or its designee, a commitment fee of $90,000, an extension fee of $50,000 relating to the prior extension of the secured promissory note issued on August 22, 2017, and $126,786.74 representing the accrued and unpaid interest on the Prior Notes.

Pursuant to the terms of the securities purchase agreement, the Company agreed not to create, incur or assume any new indebtedness, liens or enter into a variable rate transaction, subject to certain exceptions, until the repayment of the Series B Debenture.

Pursuant to the terms of the Series A Debentures, YA II may elect to convert the required payments due thereunder into the Company’s common stock at a fixed conversion price of $2.00 per share. In addition, the Company may, at its sole discretion, convert a required payment at a conversion price equal to 98.5% of the lowest daily volume weighted average price of the Company’s common stock during the ten consecutive trading days immediately preceding a conversion, provided that such price may not be less than $0.50. In addition, pursuant to a Series A Debentures, the Company agreed to pay YA II $63,287 representing the remaining unpaid and accrued interest from one of the Prior Notes within 90 days.

Pursuant to the terms of the Series B Debenture, YA II may elect to convert the required payments due thereunder into the Company’s common stock at a fixed conversion price of $4.00 per share. In addition, the Company may, at its sole discretion, convert a required payment at a conversion price equal to 98.5% of the lowest daily volume weighted average price during the ten consecutive trading days immediately preceding a conversion, provided that such price may not be less than $0.50.

Upon a change of control of the Company, YA II may elect to convert the Series A Debentures and Series B Debenture at either the relevant fixed conversion price or the variable conversion price, at its sole discretion. Upon the occurrence of an Event of Default (as defined in the Series A Debentures and the Series B Debenture), all amounts payable may be due immediately and YA II may elect to convert the Series A Debentures and the Series B Debenture at either the relevant fixed conversion price or the variable conversion price, at its sole discretion. The Series A Debentures and Series B Debenture are secured by a pledge of shares of Micronet owned by Enertec Electronics.

In addition, pursuant to the terms of the securities purchase agreement, the Company agreed to issue to YA II a five year warrant to purchase 375,000 shares of the Company’s common stock at a purchase price of $2.00 per share, a five year warrant to purchase 200,000 shares of the Company’s common stock at a purchase price of $3.00 per share and a five year warrant to purchase 112,500 shares of the Company’s common stock at a purchase price of $4.00 per share.

On August 22, 2017, the Company entered into a Standby Equity Distribution Agreement, or the 2017 SEDA, with YA II for the sale of up to $10,000,000 of shares of the Company's common stock, over a three-year commitment period.

In connection with the 2017 SEDA, the Company agreed to pay YA Global II SPV, LLC (as designee of YA II), a commitment fee in the amount of $800,000, or the Commitment Fee, in the aggregate, which was to be paid in eight quarterly installments of $100,000, with the first installment due and payable on the fifth trading day following the execution of the 2017 SEDA. The Commitment Fee may be paid in cash or shares of the Company's common stock. The Company paid YA II $50,000 out of the first installment of the Commitment Fee. On November 19, 2017, we entered into an agreement with YA II whereby the commitment fee repayment terms were amended such that (i) $200,000 of the commitment fee shall be payable as follows: $50,000 shall be due and payable on March 31, 2018, $50,000 shall be due and payable on September 30, 2018, $50,000 shall be due and payable on March 31, 2019, and $50,000 shall be due and payable on September 30, 2019, and (ii) we shall pay the remaining $600,000 as follows: $90,000 shall be paid when the aggregate advance amounts under the SEDA shall total $3,000,000, $30,000 shall be paid when the aggregate advance amounts under the SEDA shall total $4,000,000, $30,000 shall be paid when the aggregate advance amounts under the SEDA shall total $5,000,000, $150,000 shall be paid when the aggregate advance amounts under the SEDA shall total $6,000,000, $50,000 shall be paid when the aggregate advance amounts under the SEDA shall total $7,000,000, $130,000 shall be paid when the aggregate advance amounts under the SEDA shall total $8,000,000, $60,000 shall be paid when the aggregate advance amounts under the SEDA shall total $9,000,000 and $60,000 shall be paid when the aggregate advance amounts under the SEDA shall total $10,000,000.

On May 8, 2018, the Company and YA II mutually agreed to terminate the 2017 SEDA. As a result of the termination of the 2017 SEDA, the Company's obligation to pay any and all of the remaining Commitment Fee owed under the 2017 SEDA was terminated as well. The Company did not conduct any sales pursuant to the 2017 SEDA prior to its termination.

On November 22, 2017, we entered into a Securities Purchase Agreement with one investor, an affiliate of YA II, for the sale of 555,556 shares of the our common stock at a purchase price per share of $0.90 per share in a registered direct offering for total gross proceeds of $500,000. The shares were offered and sold by us pursuant to our shelf registration statement on Form S-3 (File No. 333-219596). The net proceeds to us from the offering, after deducting fees and expenses, were approximately $495,000.

On February 22, 2018, we entered into a Securities Purchase Agreement with D-Beta One EQ, Ltd., an existing stockholder and an affiliate of YA II, for the sale of 456,308 shares of our common stock at a purchase price per share of $1.05 per share in a registered direct offering for total gross proceeds of approximately $479,123. The shares were offered and sold by us pursuant to our shelf registration statement on Form S-3 (File No. 333-219596). The net proceeds to us from the offering, after deducting fees and expenses, were approximately $474,123.

On December 30, 2015, the Company entered into a Loan Agreement, or the Meydan Loan, with Meydan Family Trust No. 3, or Meydan, pursuant to which Meydan agreed to loan the Company $750,000 on certain terms and conditions. The proceeds of the Meydan Loan were used by the Company for working capital and general corporate purposes. The Meydan loan bore interest at the rate of Libor plus 8% per annum and was due and payable in 4 equal installments beginning on May 31, 2017. The Meydan Loan was fully paid in March 2018.

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On June 17, 2014, Enertec entered into a loan agreement, or the Mercantile Loan Agreement, with Mercantile Discount Bank Ltd., or Mercantile Bank, pursuant to which Mercantile Bank agreed to loan the Company approximately $3,631,000 on certain terms and conditions, or the Mercantile Loan. The proceeds of the Mercantile Loan were used by the Company: (1) to refinance previous loans granted to the Company in the amount of approximately $1,333,000; (2) to complete the purchase by the Company, via Enertec, of 1.2 million shares of Micronet constituting 6.3% of the issued and outstanding shares of Micronet; and (3) for working capital and general corporate purposes.

Pursuant to the terms of the Mercantile Loan Agreement: (1) approximately $3,050,000 of the Mercantile Loan bears interest at a quarterly adjustable rate of Prime plus 2.45%, or the Mercantile Long Term Portion, and (2) approximately $581,000 of the Mercantile Loan bears interest at a quarterly adjustable rate of Prime plus 1.7%, or the Mercantile Short Term Portion. The Mercantile Long Term Portion is due and payable in five equal consecutive annual installments beginning on July 1, 2015, and the interest on the Mercantile Long Term Portion is due and payable in ten equal consecutive annual installments beginning at January 1, 2015. The Mercantile Short Term Portion in the amount of approximately $581,000 bears interest of Prime plus 1.7%. The Mercantile Loan is secured mainly by (1) a negative pledge on Enertec’s assets, (2) a pledge of Enertec’s financial deposits which shall be equal to 25% of Enertec’s outstanding credit balance, and (3) a fixed charge of Micronet shares at such value equal to at least 200% of the outstanding net balance of the Mercantile Loan. The Mercantile Loan is subject to customary covenants, terms, conditions, events of default and certain pre-payment provisions. As of March 31, 2018, the balance on the Mercantile Loan was $1,548,000 and the interest rates were Prime plus 2.45% and Prime plus 1.7% for the Mercantile Long Term Portion and the Mercantile Short Term Portion, respectively.

Pursuant to the terms of the Mercantile Loan Agreement, the parties agreed to grant Mercantile Bank a five-year Phantom Stock Option, or the Phantom Stock Option, pursuant to which Mercantile Bank is entitled to participate in the future appreciation of the Company’s shares and receive a cash amount equal to the increase in the value of the shares underlying the Phantom Stock Option on certain terms and conditions. The Phantom Stock Option allows Mercantile Bank to theoretically exercise, on a cashless basis, options to purchase 1,144,820 shares of Micronet, or the Option Shares, and to receive a cash amount equal to the difference between approximately 4 million NIS, (representing 110 percent of the average market value of Micronet Option Shares during the 30 trading days prior to the date of the Mercantile Loan) and the actual market price of such Option Shares on the date of the exercise of the Phantom Stock Option. Pursuant to the Mercantile Loan Agreement, the parties further agreed that the potential gain to Mercantile Bank resulting from the Phantom Stock Option shall not exceed NIS 3,000,000. In the event the Mercantile Loan is repaid prior to the third anniversary of the Mercantile Loan, the gain to Mercantile Bank resulting from the Phantom Stock Option shall not exceed NIS 2 million. As of the date of the Mercantile Loan, the exercise price of the Phantom Stock Options is higher than the market price of the Option Shares. As of March 31, 2018, the fair value of this Phantom Stock Option was less than $10,000.

In March 2018, Micronet entered into a credit line agreement, or the Mizrahi-Tefahot Loan Agreement, with Mizrahi-Tefahot Bank for borrowings of up to a total of $1,400,000, as well as a $1,400,000 loan for 3 years bearing interest at a rate of Prime plus 1.9% to support its working capital. The Company may cancel the line with advance notice of 14 days. As of March 31, 2018, the balance on the credit line was $853,000.

In March 2018, Micronet entered into a credit line agreement with First International Bank of Israel, or FIBI, pursuant to which FIBI agreed to grant Micronet a credit line. The annual interest rate is Prime plus 2.1%. As of March 31, 2018, the balance on the credit line was $285,000.

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As of March 31, 2018, our total current assets were $26,138,000, as compared to $25,308,000 at December 31, 2017. The increase is mainly due to the increase in cash and cash equivalents.

Our trade accounts receivable at March 31, 2018 were $4,808,000 as compared to $5,183,000 at December 31, 2017. The decrease is primarily due to a provision for doubtful debt in Micronet.

As of March 31, 2018, our working capital was $5,323,000, as compared to $3,062,000 at December 31, 2017. The increase in the working capital is primarily due to the increase in our cash and cash equivalents.

As of March 31, 2018, our total debt was $7,660,000 as compared to $5,168,000 at December 31, 2017.

Our bank and other debt is composed of short-term loans amounting to $3,956,000 as of March 31, 2018 compared to $3,789,000 at December 31, 2017, and long-term loans amounting to $3,704,000 as of March 31, 2018 compared to $1,379,000 at December 31, 2017.

Our current debt includes our bank debt described above and loans from YA II :

Our bank debt is composed of short-term loans to Enertec Electronics and Micronet amounting to $2,688,000 as of March 31, 2018 compared to $1,582,000, as of December 31, 2017. These short-term loans bear interest at rates between Israeli prime (currently 1.60%) plus 0.7% to 2.45%. The bank loans have maturity dates between July 2018 and July 2019 and bear interest at a rate of Israeli Prime plus 1.25% to 2.45%. Upon consummation of the proposed sale of Enertec, Coolysis will assume $4,000,000 of such existing net indebtedness owed by Enertec.

Enertec Electronics has covenanted under its bank loan that the Company will present separate financial statements equity of not less than 32.5% of total assets. Certain restricted cash is used as collateral to secure the loan.

As described above, on March 29, 2018, the Company and Enertec Electronics executed and closed on a securities purchase agreement with YA II, whereby the Company issued and sold to YA II (1) the Series A Convertible Debentures in the aggregate principal aggregate amount of $3,200,000 and (2) the Series B Convertible Debenture in the principal aggregate amount of $1,800,000.

In March 2018, Micronet entered into a credit line agreement for borrowings of up to a total of $1,400,000, as well as a $1,400,000 loan for 3 years that bears interest at a rate of Prime plus 1.9% to support its working capital. Micronet has covenants under this agreement, among other (a) Annual EBITDA shall not be less than $750,000; (b) the ratio of customer debt to credit (credit utilized by the Company under an agreement with the Bank for the excluding of bank guarantees) shall not be less than 1 basis on a quarterly basis; (c) the inventory ratio for financial credit shall not be less than 1 on the basis of a semi-annual reports; and (d) the tangible shareholders' equity shall not be less than NIS 15,000,000 and from 35% of the total balance sheet deducted on the basis of the Company's semi-annual reports. As of March 31, 2018, Micronet has met the covenants.

As of March 31, 2018, Micronet had a temporary credit line with FIBI, pursuant to which FIBI agreed to grant Micronet a temporary credit line. The annual interest rate is Prime plus 2.1%. As of March 31, 2018, the balance on the credit line was $285,000.

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Financing Needs

Although we currently do not have any material commitments for capital expenditures, we expect our capital requirements to increase over the next several years as we continue to support the organic and non-organic growth of our business. Among other activities, we plan to develop, manufacture and market larger-scale solutions, support our growing manufacturing and finance needs, continue the development and testing of our suite of products and systems, increase management, marketing, and administration infrastructure, and embark on developing in-house business capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including but not limited to (1) the levels and costs of our research and development initiatives, (2) the cost of hiring, training and certifying additional highly skilled professionals (mainly engineers and technicians), and maintaining our management including sales and marketing personnel to promote our products, and (3) the cost and timing of the expansion of our development, manufacturing and marketing efforts.

In 2018, we expect to pay off the current portion of certain bank loans in the amount $621,000 and the YA II loans in the aggregate amount of $1,000,000, using our cash flow from our operations, until the proposed sale of Enertec is consummated, or possibly additional debt or equity financings.

In addition, if we are successful in consummating the sale of Enertec to Coolisys, we will receive $5,250,000, subject to certain adjustments, in gross proceeds, as well as have $4,000,000 in Enertec's net debt assumed by Coolisys. There is no guarantee that we will be successful in consummating the sale of Enertec.

The Company filed a Form S-3 registration statement (File No. 333-219596), under the Securities Act of 1933, as amended, with the SEC using a "shelf" registration process, which was declared effective on November 8, 2017. Under this shelf registration process, the Company may, from time to time, sell common stock, warrants or units in one or more offerings up to a total dollar amount of $30 million. To date, we have sold approximately $1,000,000 of our securities pursuant to our existing shelf registration statement.

On August 22, 2017, we entered into the 2017 SEDA for the sale of up to $10 million of shares of the Company's common stock over a two-year commitment period. On May 9, 2018, we agreed to terminate the 2017 SEDA.

Based on our current business plan and existing loans, we anticipate that our existing cash balances and cash generated from future sales will be sufficient to permit us to conduct our operations and carry out our contemplated business plans for at least the next twelve months from the date of this Quarterly Report. However, we believe that we may need to raise additional funds if we want to materially decrease our dependence on our existing cash and other liquidity resources. Currently, the only external sources of liquidity are our banks, the YA II loans, and the potential proceeds from the sale of Enertec, and we may seek additional financing from them or through securities offerings. We intend to use such funds in order to expand our operations, refinancing our various debts, develop new products, enhance existing products or respond to competitive pressures. However, we may also undertake additional debt or conduct equity financings (including sales of common stock, warrants or units under our shelf registration statement) to better enable us to grow and meet our future operating and capital requirements. There is no assurance that we will be able to consummate such offerings on favorable terms or at all. Further, there is no assurance that we will be able to borrow additional funds on favorable terms or at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect that is material to investors on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Company carried out an evaluation with the participation of the Company's management, including Mr. David Lucatz, the Company's Chief Executive Officer, and Mrs. Tali Dinar, the Company's Chief Financial Officer (our principal executive officer and principal financial officer, respectively), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of March 31, 2018. Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

No change occurred in the Company’s internal control over financial reporting during the quarterly period ended March 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II- OTHER INFORMATION

Item 6. Exhibits.

Exhibit Number	Description
3.1	Composite Copy of the Certificate of Incorporation of the Company, as amended to date (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-8 (File No. 333-199752), filed with the Securities and Exchange Commission on October 31, 2014.).
3.2	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.5 of Amendment No. 2 to our Registration Statement on Form S-1 (File No. 333-185470), filed with the Securities and Exchange Commission on March 18, 2013).
4.1	Form of Series A Debenture issued to YA II PN, Ltd. (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018).
4.2	Form of Series B Debenture issued to YA II PN, Ltd. (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018).
4.3	Form of Warrant issued to YA II PN, Ltd. (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018).
10.1	Securities Purchase Agreement, dated March 29, 2018, between Micronet Enertec Technologies, Inc. and YA II PN Ltd. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018).
10.2	Share Purchase Agreement, dated December 31, 2017, among Micronet Enertec Technologies Inc., Enertec Management Ltd., Enertec Systems 2001 Ltd. and Coolisys Technologies Inc. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2018).
10.3	Consulting Agreement, among Micronet Enertec Technologies Inc., Enertec Management Ltd., Enertec Systems 2001 Ltd. and Coolisys Technologies Inc. (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2018).
10.4	Securities Purchase Agreement, dated February 22, 2018, between Micronet Enertec Technologies, Inc. and D-Beta One EQ, Ltd. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 22, 2018).

10.5*	Termination of SEDA, dated May 8, 2018, between Micronet Enertec Technologies, Inc. and YA II PN, Ltd.
10.6*	Debenture Amendment Letter Agreement, dated May 8, 2018, by and among Micronet Enertec Technologies, Inc., Enertec Electronics Ltd. and YA II PN, Ltd.
10.7*	Warrant Amendment Agreement, dated May 8, 2018, between Micronet Enertec Technologies, Inc. and YA II PN, Ltd.
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101*	The following materials from Micronet Enertec Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

*Filed herewith

**Furnished herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MICRONET ENERTEC TECHNOLOGIES, INC.

Date: May 15, 2018	By:	/s/ David Lucatz	
		Name:	David Lucatz
		Title:	Chairman, President and Chief Executive Officer (Principal Executive Officer)

Date: May 15, 2018	By:	/s/ Tali Dinar	
		Name:	Tali Dinar
		Title:	Chief Financial Officer (Principal Financial Officer)

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* Filed herewith

** Furnished herewith

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