WATER CHEF INC
Form 10QSB
November 19, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-QSB

(Mark One)

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

( ) TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from to

Commission file number 1-09478

WATER CHEF, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	86-0515678
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

68 South Service Road, Suite 100, Melville, New York 11747

(Address of Principal Executive Offices)

631-577-7915

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date.

OUTSTANDING AS OF November 12, 2007

CLASS	Common
Par value $0.001 per share	193,351,401

Transitional small business disclosure format (check one) Yes _____ No X

WATER CHEF, INC.

INDEX

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED BALANCE SHEET
(UNAUDITED)

SEPTEMBER 30, 2007

ASSETS

CURRENT ASSETS:	
Cash	$140,495
Prepaid expenses and other current assets	22,714
Total Current Assets	163,209
FIXED ASSETS:	
Property and equipment net of accumulated depreciation of $1,508	32,338
OTHER ASSETS	
Patents and trademarks, net of accumulated amortization of $12,415	39,183
Deferred financing fees, net of accumulated amortization of $1,225	6,275
Other assets	6,360
Total Other Assets	51,818
TOTAL ASSETS	$247,365

See notes to condensed financial statements.

2

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED BALANCE SHEET
(UNAUDITED)

SEPTEMBER 30, 2007

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 476,176
Accrued compensation	162,000
Accrued consulting and director fees	166,000
Convertible notes payable to officer and director (including accrued interest of $5,329)	105,329
Notes and convertible notes payable (net of unamortized discount $169,750 and accrued interest of $415,749)	1,085,754
Fair value of detachable warrants and options	279,300
Fair value of embedded conversion options	299,300
Accrued dividends payable	190,084
TOTAL CURRENT LIABILITIES	2,763,943
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDER'S DEFICIENCY:	
Preferred stock $.001 par value; 10,000,000 shares Authorized; 185,819 shares issued and outstanding, (liquidation preference $2,348,575)	186
Common stock $.001 par value; 340,000,000 shares authorized; 190,196,243 shares issued and 190,191,843 shares outstanding	190,191
Additional paid-in capital	25,380,216
Treasury stock, at cost - 4,400 shares of common stock	(5,768)
Deficit accumulated through December 31, 2001	(14,531,596)
Deficit accumulated during development stage	(13,549,807)
TOTAL STOCKHOLDERS' DEFICIENCY	(2,516,578)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 247,365

See notes to condensed financial statements.

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Septemb
	2007	2006	2007
SALES	$ --	$ --	$ --
COST OF SALES	--	21,000	23,000
SELLING, GENERAL AND ADMINISTRATIVE Including stock based compensation of $46,539 and $0 for the three months ended September 30, 2007 and 2006 and $550,377 and $767,699 for the nine months ended September 30,2007 and 2006, and $2,085,466 for the period January 1, 2002 to September 30, 2007, respectively	346,873	118,335	1,267,128
NON-DILUTION AGREEMENT TERMINATION COST	--	--	--
INTEREST EXPENSE Including interest expense to related parties of $2,466 and $5,967 for the three months ended September 30, 2007 and 2006 and $5,329 and $5,967 for the nine months ended September 30, 2007 and 2006, and $124,669 for the period January 1, 2002 through September 30, 2007, respectively	38,057	43,018	177,257
RESEARCH AND DEVELOPMENT	75,000	--	75,000
FINANCING COSTS - EXTENSION OF WARRANTS	--	--	--
LOSS ON SETTLEMENT OF DEBT	--	--	--
INTEREST EXPENSE - CONVERSION PROVISION	22,550	--	135,550
CHANGE IN FAIR VALUE OF WARRANTS AND EMBEDDED CONVERSION OPTION	(270,800)	--	(252,400)
	211,680	182,353	1,425,535
NET LOSS	(211,680)	(182,353)	(1,425,535)
DEEMED DIVIDEND ON PREFERRED STOCK	--	--	--
PREFERRED STOCK DIVIDENDS	--	--	(213)
	--	--	(213)
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (211,680)	$ (182,353)	$(1,425,748)
BASIC AND DILUTED LOSS PER COMMON SHARE	$(0.00)	$ (0.00)	$(0.01)
WEIGHTED AVERAGE COMMON SHARES			

OUTSTANDING BASIC AND DILUTED	190,196,243	198,795,306	188,606,912

See notes to condensed financial statements.

4

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY
(UNAUDITED)

	Preferred Stock		Comm
	Shares	Amount	Shares
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007			
BALANCE - JANUARY 1, 2007	188,917	$ 189	198,977,49
Proceeds from Sale of Common Stock:			
($0.090 per share) May 10, 2007	--	--	1,111,11
($0.083 per share) May 10, 2007	--	--	2,409,64
($0.090 per share) May 31, 2007	--	--	555,55
($0.083 per share) June 26, 2007	--	--	1,203,08
Stock for compensation:			
($0.110 per share) May 2, 2007	--	--	2,500,00
Common stock issued in repayment of debt:			
($0.132 per share) February 26, 2007	--	--	195,21
($0.111 per share) March 8, 2007	--	--	234,16
($0.107 per share) March 14, 2007	--	--	256,64
($0.099 per share) March 19, 2007	--	--	262,65
($0.097 per share) March 23, 2007	--	--	806,58
($0.095 per share) April 4, 2007	--	--	546,90
($0.086 per share) May 1, 2007	--	--	908,88
Stock for late payment penalty:			
($0.100 per share) May 22, 2007	--	--	100,00

Preferred stock converted to common stock:			
During the quarter ended March 31, 2007	(2,848)	(3)	113,92
During the quarter ended June 30, 2007	(250)	--	10,00
Cancellation of debt for no consideration	--	--	--
Surrender and cancellation of common stock	--	--	(20,000,00
Reclassification of derivative liability to equity upon conversion of debt	--	--	--
Reclassification of options to non employees to derivative liability	--	--	--
Reclassification of derivative liability to equity upon conversion of preferred stock	--	--	--
Amortization of warrants and option over the vesting period for employees and non employees	--	--	--
Stock to be issued for settlement of debt	--	--	--
Preferred stock dividend	--	--	--
Net loss	--	--	--
BALANCE - SEPTEMBER 30, 2007	185,819	$ 186	190,191,84

See notes to condensed financial statements.

5

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY
(UNAUDITED)
(CONTINUED)

	Common Stock to be Issued	Treasury Stock - at cost	Deficit Accumulated through December 31, 2001

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007			
BALANCE - JANUARY 1, 2007	--	$ (5,768)	$(14,531,596)
Proceeds from Sale of Common Stock:			
($0.090 per share) May 10, 2007	--	--	--
($0.083 per share) May 10, 2007	--	--	--
($0.090 per share) May 31, 2007	--	--	--
($0.083 per share) June 26, 2007	--	--	--
Stock for compensation:			
($0.110 per share) May 2, 2007	--	--	--
Common stock issued in repayment of debt:			
($0.132 per share) February 26, 2007	--	--	--
($0.111 per share) March 8, 2007	--	--	--
($0.107 per share) March 14, 2007	--	--	--
($0.099 per share) March 19, 2007	--	--	--
($0.097 per share) March 23, 2007	--	--	--
($0.095 per share) April 4, 2007	--	--	--
($0.086 per share) May 1, 2007	--	--	--
Stock for late payment penalty:			
($0.100 per share) May 22, 2007	--	--	--
Preferred stock converted to common stock:			
During the quarter ended March 31, 2007	--	--	--
During the quarter ended June 30, 2007	--	--	--
Cancellation of debt for no consideration	--	--	--
Surrender and cancellation of common stock	--	--	--
Reclassification of derivative liability to equity upon conversion of debt	--	--	--
Reclassification of options to non employees to derivative liability	--	--	--
Reclassification of derivative liability to equity upon conversion of preferred stock	--	--	--
Amortization of warrants and option over the vesting period for employees and non employees	--	--	--
Preferred stock dividend	--	--	--
Net loss	--	--	--
BALANCE - SEPTEMBER 30, 2007	$ --	$ (5,768)	$(14,531,596)

See notes to condensed financial statements.

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006	Fo Ja to
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (1,425,535)	$ (1,681,754)	$
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,508	--	
Amortization of patents	1,763	1,390	
Interest expense - deferred financing	5,942	4,687	
Stock-based compensation	550,377	767,699	
Interest expense - conversion provision	135,550	--	
Accretion of debt discount	81,200	112,800	
Change in fair value of warrants and embedded conversion option	(252,400)	186,600	
Loss on settlement of debt	--	--	
Non-dilution agreement termination cost	--	--	
Inventory reserve	--	--	
Write-off of stock subscription receivable	--	--	
Financing cost - warrant extension	--	--	
Changes in assets and liabilities:			
Inventory	--	30,000	
Prepaid expenses and other current assets	(3,432)	16,976	
Other assets	(3,198)	--	
Accounts payable, accrued expenses and other current liabilities, accrued compensation, accrued consulting and director fees, accrued dividends and customer deposits	273,758	(208,914)	
Net Cash Used in Operating Activities	(634,467)	(770,516)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(33,846)	--	
Patent Costs	(25,543)	--	
Cash Used in Investing Activities	$ (59,389)	$ --	$

See notes to condensed financial statements.

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006	For the Pe[riod] January 1, [2002] to Septemb[er 30,] 2007
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock subscription receivable	$ --	$ --	$ 65,
Proceeds from sale of preferred stock	--	--	1,130,
Proceeds from sale of common stock	450,000	568,000	1,990,
Proceeds from sale of common stock to be issued	--	--	200,
Deferred financing costs	(7,530)	--	(22,
Proceeds from convertible promissory notes	250,000	--	800,
Proceeds from officers and directors loans	100,000	--	100,
Repayment of notes payable	(57,835)	(15,962)	(93,
Net Cash Provided by Financing Activities	734,635	552,038	4,170,
NET INCREASE (DECREASE) IN CASH	40,779	(218,478)	104,
CASH AT BEGINNING OF PERIOD	99,716	244,595	35,
CASH AT END OF PERIOD	$ 140,495	$ 26,117	$ 140,
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
CASH PAID DURING THE PERIOD FOR: INTEREST	$ 9,083	$ --	$ 366,
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Compensation satisfied by issuance of common stock	$ --	$ --	$ 55,

Common stock issued in satisfaction of liabilities	$ 311,078	$ 650,563	$ 6,675,
Reclassification of derivative liabilities upon conversion of debt	$ 140,000	$ 368,800	$ 508,
Reclassification of equity instruments to liabilities	$ 247,100	$ --	$ 536,
Reclassification of derivative liabilities upon conversion of preferred stock	$ 3,200	$ --	$ 3,
Cancellation of debt for no consideration	$ 1,327,321	$ --	$ 1,327,

See notes to condensed financial statements.

8

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1: DESCRIPTION OF BUSINESS

Water Chef, Inc. (the "Company"), is a Delaware corporation currently engaged in the design and marketing of water purification equipment both inside and outside the United States. The Company's corporate headquarters are located in Melville, New York.

NOTE 2: BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, these interim financial statements do not include all of the information and footnotes required for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to make the financial statements not misleading have been included.

The operating results for the three and nine-month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB, filed on March 30, 2007, for the year ended December 31, 2006.

DEVELOPMENT STAGE COMPANY

The Company is in the development stage as defined by Statement of Financial

Accounting Standards ("SFAS") Statement No. 7, "Accounting and Reporting for Development Stage Companies." To date, the Company has generated limited sales and has devoted its efforts primarily to developing its products, implementing its business and marketing strategy and raising working capital through equity financing or short-term borrowings.

REVENUE RECOGNITION

The Company recognizes its revenues when the product is shipped and or title passes and collection is reasonably assured.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to expense as incurred. The costs of materials and equipment that are acquired or constructed for research and development activities, and have alternative future uses (either in research and development, marketing or production), are classified as property and equipment and depreciated over their estimated useful lives.

STOCK BASED COMPENSATION

Effective January 1, 2006, the Company adopted SFAS 123R which replaces SFAS 123, "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." 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. Pro forma disclosure is no longer an alternative to financial statement recognition.

==

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3: GOING CONCERN

The accompanying unaudited condensed financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred recurring losses from operations, an accumulated deficit since its inception of approximately $28,080,000 and has a working capital deficiency of approximately $2,600,000 at September 30, 2007. 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, settling its existing debt by issuing shares of its common stock and raising additional capital through future issuance of stock and or debentures. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its product, marketing plan and distribution network. The accompanying unaudited condensed financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

NOTE 4: RECENT ACCOUNTING STANDARDS

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid

Financial Instruments - an amendment of FASB Statements No. 133 and 140" ("SFAS 155"). SFAS 155 resolves issues addressed in SFAS 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." The requirements in SFAS 155 are effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this pronouncement did not have an impact on the Company's financial position, results of operations or cash flows.

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 for fiscal years beginning after November 15, 2007, with earlier application encouraged. Any cumulative effect will be recorded as an adjustment to the opening accumulated deficit balance, or other appropriate component of equity. The adoption of this pronouncement is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In September 2006, the SEC staff issued Staff Accounting Bulleting ("SAB") No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). SAB 108 was issued in order to reduce the diversity in practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years' financial statements. SAB 108 is effective for fiscal year 2007. The adoption of this pronouncement did not have an impact on the Company's financial position, results of operations, or cash flows.

==

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 4: RECENT ACCOUNTING STANDARDS (Continued)

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. The FASB has indicated it believes that SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. 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 for the Company as of the beginning of fiscal year 2009 the adoption of this pronouncement is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In December 2006, the FASB approved 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. The guidance in FSP EITF 00-19-2 amends FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," and FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to include scope exceptions for registration payment arrangements.

FSP EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the issuance date of this FSP, or for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years, for registration payment arrangements entered into prior to the issuance date of this FSP. The adoption of this pronouncement did not have an impact on the Company's financial position, results of operations or cash flows.

==

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 4: RECENT ACCOUNTING STANDARDS (Continued)

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."

In many cases 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. In most instances, 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 September 30, 2007, no liability for unrecognized tax benefits was required to be recorded.

The Company recognized a deferred tax asset of approximately $8.5 million as of September 30, 2007, primarily relating to net operating loss carry-forwards of approximately $25 million through 2006, available to offset future taxable income. The ultimate utilization of such net operating losses may be limited as a result of changes in ownership (section 382 of the Internal Revenue Code) of the Company.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers projected future taxable income and tax planning strategies in making this assessment. At present, the Company does not have a sufficient history of income to conclude that it is more likely than not that the Company will be able to realize all of its tax benefits in the near future and therefore a valuation allowance was established in the full value of the deferred tax asset.

A valuation allowance will be maintained until sufficient positive evidence exists to support the reversal of any portion or all of the valuation allowance net of appropriate reserves.

==

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 5: 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 six months ended June 30, 2007. The Convertible Promissory Note was secured by 4,000,000 shares of the Company's common stock held by a former officer of the Company. Certain security shares pledged as collateral for the note were returned upon the registration of the common stock underlying the convertible debenture.

13

==

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 5: 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 is required to file a registration statement covering the resale of the shares issuable under the agreement by October 17, 2007. In addition, the Company is obligated to obtain an effective registration statement by December 16, 2007. If the Company is unable to have the registration statement declared effective, the Company will incur penalties of 2% per month of the principal balance. The Company filed the registration statement on October 17, 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.

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.

NOTE 6: 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.

NOTE 7: 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 of $8,000. The term of the consulting agreement is for 36 months commencing from January 1, 2007 renewable for an additional one year term. Under the terms of the agreement the consultant is eligible to receive from the Company two million shares of the Company's common stock (as of September 30, 2007 no shares have been granted). On April 1, 2007, the Company granted to the consultant 2,000,000 warrants to purchase common stock, having a life of 3 years and exercisable at $0.1175 per share and carry a cashless exercise provision. The fair value of the warrants of approximately $121,000 was determined using the black scholes option valuation model and is charged to operations ratably over the vesting term of the warrants.

==

NOTE 8: NET LOSS PER SHARE OF COMMON STOCK

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, convertible preferred stock and convertible notes. Common stock equivalents were excluded in the computation of diluted loss per share since their inclusion would be anti-dilutive. Total shares issuable upon the exercise of warrants and conversion of preferred stock and convertible promissory notes for the nine months ended September 30, 2007 and 2006 were as follows:

	September 30, 2007	September 30, 2006
Warrants	18,297,138	6,930,000
Convertible promissory notes	8,210,375	--
Convertible preferred stock	1,622,760	1,736,680
Total	28,130,273	8,666,680

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 9: STOCKHOLDERS' DEFICIENCY

Debt
During the nine months ended September 30, 2007, the Company issued 3,211,039 shares of common stock for $300,000 of debt principal and $11,078 of accrued interest.

Conversion of preferred stock into common stock During the nine months ended September 30, 2007, the Company issued 123,920 shares of common stock in connection with the conversion of 3,098 shares of preferred stock.

Cash
During the nine months ended September 30, 2007, the Company raised $450,000 through the sale of 5,279,387 shares of common stock.

Services
During the nine months ended September 30, 2007, the Company issued 100,000 shares of common stock in satisfaction of a late payment penalty to one of its note holders. The Company recorded a charge of $10,000.

During the nine months ended September 30, 2007, the Company issued 2,500,000 shares of common stock to two management employees for services. The Company incurred a stock based compensation charge of $275,000.

During the nine months ended September 30, 2007, the Company granted 9,100,000 warrants to various employees and consultants for services. Of this amount 4,100,000 warrant shares fully vested on the date of the grant, and 5,000,000 will vest over the life of the warrant. Each of the warrants has a life of three years, and is exercisable at $0.11 to $0.1175 per share. The Company incurred a stock based compensation charge of $265,377.

Relinquishment of common stock

Effective with the resignation of the President and Chief Executive Officer on January 29, 2007, 20,000,000 shares of common stock were returned to the

Company. The return of the shares were immediately retired and cancelled.

NOTE 10: RELATED PARTY TRANSACTIONS

On January 29, 2007, the Company's President and Chief Executive Officer who resigned, also 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.

==

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 10: RELATED PARTY TRANSACTIONS (Continued)

On February 12, 2007, A Director of the Company resigned from the Board of Directors and waived his rights to any accrued consulting and director fees owed to him by the Company. The Company recorded the forgiveness of such liabilities as a contribution to capital.

In January 2007, The Company appointed a new President. In connection with this employment, the President will be paid $9,000 per month. In addition, the Company issued 2,000,000 shares of the Company's common stock and granted warrants to purchase 2,000,000 shares of the Company's common stock. The warrants are exercisable at $0.11 per share, have a life of three years and vest over two years. In addition, the employment agreement will provide for certain performance-based cash incentives. During the nine months ended September 30, 2007, the Company issued the 2,000,000 shares of common stock at a fair value of $220,000 and granted the warrants at a fair value of $125,200. The warrants were valued using the Black-Scholes option valuation model and are charged to operations ratably over the vesting term of warrants. As of September 30, 2007, the terms of the President's employment agreement have not been executed. On September 28, 2007, the Company modified the terms of the warrants previously granted to the President to include a cashless exercise provision. There was no accounting impact for this modification.

In March 2007, the Chief Executive Officer and a Director each made loans of $50,000 each to the Company. The loans pay simple interest at the rate of 10% per annum and are due and payable in 120 days. The loans to the Chief Executive Officer and the Director carry an option that if the loans are not repaid by June 14, 2007 and June 29, 2007, respectively, such option 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's common stock over the three previous business days before demand for conversion is made. The Company recorded a charge of $113,000 during the nine months ended September 30, 2007 for the embedded conversion option. Under accounting guidance provide by EITF 00-19, the conversion price of the loans did not have a determinable number of shares the loans could be settled in and as a result, have been presented as a derivative liability. Accordingly, the conversion option will be marked to market through earnings at the end of each reporting period. As of September 30, 2007, the

Company has not repaid these loans.

On September 5, 2007, the Company appointed a Chief Financial Officer. The Company is negotiating the terms of the Chief Financial Officer's employment agreement and expects to finalize the terms during the fourth quarter of 2007.

NOTE 11: MAJOR CUSTOMERS / CREDIT RISK

During the nine months ended September 30, 2007, the Company had no sales. During the nine months ended September 30, 2006, the Company sold two units to one customer and recognized revenues of $115,000.

The Company maintains cash deposits with financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash. As of September 30, 2007, the uninsured cash balance was approximately $41,500. The Company believes it is not exposed to any significant credit risk for cash.

NOTE 12: COMMITMENTS AND CONTINGENCIES

- 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. The Company believes the complaint is without merit and intends to vigorously defend itself in these actions, and believes that the eventual outcome of these matters will not have a material adverse effect on the Company. However, the ultimate outcome of these matters cannot be determined at this time.

- The Company entered into a lease beginning on October 1, 2007 in Essex, Connecticut for its showroom and assembly facility. The cost of the lease is for approximately $1,500 per month and has a term of one year with two options to extend the lease for additional one year periods.

==

NOTE 13: SUBSEQUENT EVENTS

- On October 11, 2007, the Company entered into a settlement agreement with a note holder. Under the settlement, the Company is obligated to make payments of $75,000 on, or before, each of December 31, 2007 and June 30, 2008 and to issue 2,500,000 shares of common stock to the note holder as settlement for a secured promissory note, dated May 4, 2001, in the original principal amount of $400,000.

- In October 2007 the Company issued 3,159,558 shares of common stock and 631,912 warrants to purchase common stock for cash proceeds of

$200,000.

==

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the Company's Financial Statements and related Footnotes.

Forward-Looking Statements

This quarterly report on Form 10-QSB contains "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements regarding the Company's expected financial position, business and financing plans are forward-looking statements. Such forward-looking statements are identified by use of forward-looking words such as "anticipates," "believes," "plans," "estimates," "expects," and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, technology developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission ("SEC"). Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

Introduction

Until the fourth quarter of 2001, Water Chef was engaged in the manufacture and marketing of water coolers and water purification and filtration products. In the fourth quarter of 2001, the Company completed the sale of this business in order to focus its activities on its PureSafe line of business. The PureSafe Water Station has been designed by the Company to meet the needs of communities which either do not have access to municipal water treatment systems, or for those which systems have been compromised, either by environmental factors or by faulty design or maintenance.

Results of Operations

Sales for the nine months ended September 30, 2007 and 2006 were $0 and $115,000, respectively. During the nine months ended September 30, 2006, the Company recognized the sale of two PureSafe Water Station Systems

Cost of sales for the nine month period ended September 30, 2007 and 2006 was $23,000 and $93,000, respectively. An analysis of the components of cost of sales in the 2007 and 2006 periods follows:

Costs of Sales Period	Product CGS	Rent and Overhead Payments to Manufacturer	Total
For the nine months ended September 30, 2007	$ --	$ 23,000	$ 23,000
For the nine months ended September 30, 2006	$ 30,000	$ 63,000	$ 93,000

==

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (Continued)

Results of Operations (Continued)

Selling, general and administrative expenses for the nine months ended September 30, 2007 were $1,267,128 compared to $1,282,272 for the nine months ended September 30, 2006.

The net loss for the nine months ended September 30, 2007 was $1,425, 535 compared to $1,681,754 in the same period ended September 30, 2006.

Liquidity and Capital Resources

At September 30, 2007, the Company had a working capital deficiency of approximately $2,600,000. In addition, the Company continues to suffer recurring losses from operations and has an accumulated deficit since inception of approximately $28,080,000. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Management's plans with respect to these matters include restructuring its existing debt, raising additional capital through future issuances of stock and/or equity, and finding sufficient profitable markets for its products to generate sufficient cash to meet its business obligations. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its product, marketing plan and distribution network. The accompanying 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. As of September 30, 2007, the Company has not repaid these loans.

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.

Under the terms of the agreement the Company is required to file a registration statement covering the resale of the shares issuable under the agreement by October 17, 2007. In addition the Company is obligated to obtain an effective registration statement by December 16, 2007. If the Company is unable to have the registration statement declared effective, the Company will incur penalties of 2% per month of the principal balance. The Company filed the registration statement on October 16, 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.

Recent Accounting Standards

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140" ("SFAS 155"). SFAS 155 resolves issues addressed in SFAS 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." The requirements in SFAS 155 are effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this pronouncement did not have an impact on the Company's financial position, results of operations or cash flows.

==

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (Continued)

Recent Accounting Standards (Continued)

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 for fiscal years beginning after November 15, 2007, with earlier application encouraged. Any cumulative effect will be recorded as an adjustment to the opening accumulated deficit balance, or other appropriate component of equity. The adoption of this pronouncement is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In September 2006, the SEC staff issued Staff Accounting Bulleting ("SAB") No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). SAB 108 was issued in order to reduce the diversity in practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years' financial statements. SAB 108 is effective for fiscal year 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. The FASB has indicated it believes that SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. 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 for the Company as of the beginning of fiscal year 2009. The adoption of this pronouncement is not expected to have an impact on the Company's financial position, results of operations or cash flows.

==

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (Continued)

Recent Accounting Standards (Continued)

In December 2006, the FASB approved 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. The guidance in FSP EITF 00-19-2 amends FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," and FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to include scope exceptions for registration payment arrangements.

FSP EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the issuance date of this FSP, or for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years, for registration payment arrangements entered into prior to the issuance date of this FSP. The adoption of this pronouncement did not have an impact on the Company's financial position, results of operations or cash flows.

==

ITEM 3: CONTROLS AND PROCEDURES

Evaluation and 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, have evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures," as such term is defined in Rules 13a-15e promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have 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 SEC rules and forms.

Management is aware that there was a lack of segregation of duties at the Company due to the small number of employees who were dealing with general administrative and financial matters. This constituted a significant deficiency in the financial reporting. Management has mitigated these factors by hiring an outside accountant/bookkeeper to review and compile the financial statements on a quarterly and annual basis. In addition, on September 5, 2007, the Company hired a new Chief Financial Officer.

At this time management has decided that, considering the employees involved and the control procedures in place and the potential benefits of adding additional employees to clearly segregate duties, the benefit does not justify the additional expense.

Management will periodically reevaluate this situation. If the volume of the business increases and sufficient capital is secured, it is the Company's intention to increase staffing to mitigate the current lack of segregation of duties within the general administrative and financial functions.

The second reportable condition identified is in our inability to ensure that the accounting for our debt and equity-based transactions is accurate and complete. This condition is also considered a significant deficiency. In recent years we have consummated a series of complex debt and equity transactions involving the application of highly specialized accounting principles. Although we believe these events are unique to our Company, we are evaluating certain corrective measures we may take including the possibility of hiring an outside consultant to provide us with the guidance we need at such times that we may engage in these complex transactions.

Changes in Internal Controls

Management has evaluated the effectiveness of the disclosure controls and procedures as of September 30, 2007. Based on such evaluation, management has concluded that the disclosure controls and procedures were effective for their intended purpose described above. There were no changes to the internal controls during the nine months ended September 30, 2007 that have materially affected or that are reasonably likely to affect the internal controls.

==

ITEM 3: CONTROLS AND PROCEDURES (Continued)

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. The Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

24

==

PART II - OTHER INFORMATION

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended September 30, 2007, the Company issued 3,211,039 shares of common stock for the settlement of $311,078 of debt and accrued interest.

During the nine months ended September 30, 2007, the Company issued 123,920 shares of common stock in connection with the conversion of 3,098 shares of preferred stock.

During the nine months ended September 30, 2007, the Company raised $450,000 through the sale of 5,279,387 shares of common stock.

During the nine months ended September 30, 2007, the Company issued 100,000 shares of common stock in satisfaction of a late payment penalty to one of its note holders. The Company recorded a charge of $10,000.

During the nine months ended September 30, 2007 the Company issued 2,500,000 shares of common stock to two management employees for services. The Company incurred a stock based compensation charge of $275,000.

During the nine months ended September 30, 2007, the Company granted 9,100,000 warrants for services. Of this amount 4,100,000 warrant shares fully vested on the date of the grant, and the balance vest over the life of the grant. Each of the warrants has a life of three years, and is exercisable at $0.11 to $0.1175 per share. The Company incurred a stock based compensation charge of $265,377.

The Company issued these shares in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. These shares were offered to less than 35 "non-accredited" investors and were purchased for investment purposes with no view to resale.

25

==

ITEM 6: EXHIBITS

Exhibit No.	Description

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.

==

SIGNATURE

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

Water Chef, Inc.

Date: November 19, 2007

/s/ Leslie J. Kessler

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

Date: November 19, 2007

/s/ Terry R. Lazar

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