WATER CHEF INC
Form SB-2/A
June 01, 2006

As filed with the Securities and Exchange Commission on June 1, 2006

Registration No. 333-134121

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

AMENDMENT NO.1
TO

FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Water Chef, Inc.
(Name of small business issuer in its charter)

3850
(Primary Standard Industrial Classification Code Number)

Delaware	86-0515678
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1007 Glen Cove Avenue, Suite 1
Glen Head, New York 11545
(516) 656-0059
(Address and telephone number of principal executive offices)

David A. Conway
President
Water Chef, Inc.
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(516) 656-0059
(Name, address and telephone number of agent for service)

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Approximate Date of Proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, Dated June 1, 2006

PROSPECTUS

11,297,801 SHARES OF COMMON STOCK

WATER CHEF, INC.

This prospectus relates to the resale of up to 11,297,801 shares of our common stock by the selling security holders named in this prospectus.

The selling security holders may offer or sell all or a portion of its shares publicly or through private transactions at prevailing market prices or at negotiated prices. We will not receive any of the proceeds from the sale of the securities owned by the selling security holders.

Our common stock is traded and quoted on the Over the Counter Bulletin Board (the "OTCBB") under the symbol "WTER.OB." On May 31, 2006, the last reported sale price of our common stock was $0.16 per share. As of May 29, 2006 we had 194,723,097 shares of common stock outstanding.

Our executive offices are located at 1007 Glen Cove Avenue, Suite 1, Glen Head, NY 11545 and our telephone number is (516) 656-0059.

Investing in our common stock involves a high degree of risk. You should read this entire prospectus carefully, including the section entitled "Risk Factors" beginning on page 3, which describes the material risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2006.

The information in this prospectus is not complete and may change. The selling securityholders may not sell these securities or accept any offer to buy these securities until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information included elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that may be important to you. You should read this prospectus carefully and should consider, among other things, the matters described under "Risk Factors" beginning on page 4 before making an investment decision. Unless the context requires otherwise, references in this prospectus to "the Company," "our Company," "we," "our," "us" and similar expressions refer to Water Chef, Inc., a Delaware corporation, and its predecessors and its subsidiaries.

THE COMPANY

Water Chef, Inc. ("Water Chef") designs and markets water purification equipment. 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, which manufactured and marketed water coolers and filters. 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 the PureSafe Water Station (the "PureSafe"), its patented line of water purification systems. The PureSafe is a turn-key unit that converts "gray," or bathing grade, water into United States Environmental Protection Agency ("EPA") grade drinking water.

An investment in our stock involves a substantial degree of risk. See "Risk Factors."

Our principal executive offices are located at 1007 Glen Cove Avenue, Suite 1, Glen Head, NY 11545 and our telephone number is (516) 656-0059.

Recent Developments

On May 8, Water Chef entered into a forbearance agreement with Occidental Engineering Consultants Limited ("Occidental") pursuant to which Water Chef is obligated to issue 3,000,000 million shares of common stock to Occidental in exchange for Occidental's agreement to forbear on exercising certain of its rights and remedies under that certain secured promissory note, dated May 4, 2001, in the original principal amount of $400,000. The value of such shares shall be applied first to any penalties due under the registration rights agreement executed in connection with the forbearance agreement, then to accrued interest and costs and then to principal due under the note.

The Offering

Securities Offered:	We are registering the resale of up to 11,297,801 shares of our common stock, including 3,000,000 shares issued to Occidental pursuant to our forbearance agreement dated as of May 8, 2006.

Common Stock Outstanding After Offering:	197,723,097 shares, based on 194,723,097 shares outstanding as of May 29, 2006 and the issuance of 3,000,000 shares of common stock issuable to Occidental pursuant to our forbearance agreement dated as of May 8, 2006.
Proceeds:	We will not receive any of the proceeds from the sale of the shares owned by the selling securityholder.
Ticker Symbol:	
Common Stock	WTER.OB

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RISK FACTORS

An investment in our common stock involves a high degree of risk. The following risk factors should be considered carefully in addition to the other information in this prospectus, including under "Special Note Regarding Forward-Looking Statements," before making an investment in our common stock.

Risks Related to Our Business

We have a history of losses. We could continue to incur losses in the future, and we may never achieve or maintain profitability.

We had net losses of $1.2 million and $3.8 million for the years ended December 31, 2005 and 2004, respectively. We had net losses of $490,971 for the three months ended March 31, 2006. Our accumulated deficit as of March 31, 2006 was approximately $25.1 million. We were not profitable during the last two years and we may not be profitable in fiscal 2006. Uncertainties still exist regarding whether or not we will attain profitability. We can provide no assurance that we will be able to achieve profitable operations in the future.

We may need additional capital to finance existing obligations and to fund our operations and growth, and we may be unable to obtain additional capital under terms acceptable to us or at all.

Our capital requirements in connection with our marketing efforts, continuing product development and purchases of inventory and parts are expected to be significant for the foreseeable future. In addition, unanticipated events could cause our revenues to be lower and our costs to be higher than expected, therefore, creating the need for additional capital. Historically, cash generated from operations has not been sufficient to fund our capital requirements, and we have relied upon sales of securities to fund our operations. We have no current arrangements with respect to, or sources of, additional financing, and we cannot assure you that we will have sufficient funds available to meet our working capital requirements, or that we will be able to obtain capital to finance operations on favorable terms or at all. If we do not have, or are otherwise unable to secure, necessary working capital, we may be unable to fund the manufacture of PureSafe units, and we may have to delay or abandon some or all of our development and expansion plans or otherwise forego market opportunities, any of which could harm our business.

Our independent registered public accountants have stated in their report that there is substantial doubt about our ability to continue as a going concern.

We have limited cash resources and have a working capital deficit. Our independent registered public accountants have stated in their report that they have a substantial doubt about our ability to continue as a going concern. By being categorized in this manner, we may find it more difficult in the short term to either locate financing for future projects or to identify lenders willing to provide loans at attractive rates, which may require us to use our cash reserves in order to expand. Should this occur, and unforeseen events also require greater cash expenditures than expected, we could be forced to cease all or a part of our operations. As a result, you could lose your total investment.

Our revenues are dependent upon sales of a single product, and our business will fail if we do not increase sales of that product.

Our revenues are derived from sales of a single product, the PureSafe. If we are not able to increase sales of this product, our business will fail. The PureSafe is a relatively new product in the emerging market for water purification systems and it is difficult to predict when or if sales of the PureSafe will increase substantially or at all. We face a substantial risk that our sales will continue to not cover our operating expenses and that we will continue to incur operating losses.

We have not been paid for a significant number of PureSafe units that have been shipped to a customer, and we may never receive payment for these items.

In May 2001, the Company entered into a distribution agreement with a company (the "Sub Distributor") based in Jordan. The Sub Distributor agreed to purchase no fewer than 100 PureSafe units during 2001 and a minimum of 50 units in each of 2002 and 2003. During the year ended December 31, 2001, 18 units were shipped under this agreement. The Company has not received payment for this shipment. The Company has recorded the cost of the inventory shipped as a loss contingency of $242,035 during the year ended December 31, 2001, since return of the items is uncertain. The Company engaged legal counsel in Jordan to pursue legal remedies and obtain payment for all units shipped. There can be no assurance that either the Company will obtain payment for units shipped or that the items will be returned.

We depend on our key personnel and the loss of their services would adversely affect our operations.

If we are unable to maintain our key personnel and attract new employees with high levels of expertise in those areas in which we propose to engage, without unreasonably increasing our labor costs, the execution of our business strategy may be hindered and our growth limited. We believe that our success is largely dependent on the continued employment of our senior management and the hiring of strategic key personnel at reasonable costs. If our current chief executive officer were unable or unwilling to continue in his present position, or we were unable to attract a sufficient number of qualified employees at reasonable rates, our business, results of operations and financial condition may be materially adversely affected.

We plan to expand and we may be unable to manage our growth.

We intend to grow our business, but we cannot be sure that we will successfully manage our growth. In order to successfully manage our growth, we must:

- expand and enhance our administrative infrastructure;
- improve our management, financial and information systems and controls;
- expand, train and manage our employees effectively; and
- successfully retain and recruit additional employees.

Continued growth could place a further strain on our management, operations and financial resources. We cannot assure you that our operating and financial control systems, administrative infrastructure, facilities and personnel will be adequate to support our future operations or to effectively adapt to future growth. If we cannot manage our growth effectively, our business may be harmed.

Difficulties presented by international factors could negatively affect our business.

A component of our strategy is to expand our international sales revenues. We believe that we face risks in doing business abroad that we do not face domestically. Among the international risks we believe are most likely to affect us are:

- export license requirements for our products;
- exchange rate fluctuations or currency controls;
- the difficulty in managing a direct sales force from abroad;
- the financial condition, expertise and performance of our international distributors and any future international distributors;

- domestic or international trade restrictions; or
- changes in tariffs.

Any of these factors could damage our business results.

Technological change and competition may render our potential products obsolete.

The water purification industry continues to undergo rapid change, competition is intense and we expect it to increase. Competitors may succeed in developing technologies and products that are more effective or affordable than any that we are developing or that would render our technology and products obsolete or noncompetitive. Many of our competitors have substantially greater experience, financial and technical resources and production and development capabilities than us. Accordingly, some of our competitors may succeed in obtaining regulatory approval for products more rapidly or effectively than we can for technologies and products that are more effective and/or affordable than any that we are developing.

If our sole-source supplier is unable to meet our demands, our business results will suffer.

We purchase certain key components for some of our products from a single contract management supplier. For some of these components, there are relatively few alternative sources of supply. Establishing additional or replacement suppliers for any of the numerous components used in our products, if required, may not be accomplished quickly and could involve significant additional costs. Any supply interruption from our supplier or failure to obtain alternative vendors for any of the components used to manufacture our products would limit our ability to manufacture our products. Any such limitation on our ability to manufacture our products would cause our business results to suffer.

Product liability exposure may expose us to significant liability.

We face an inherent business risk of exposure to product liability and other claims and lawsuits in the event that the development or use of our technology or prospective products is alleged to have resulted in adverse effects. We may not be able to avoid significant liability exposure. We maintain a $1,000,000 umbrella policy, in addition to a $2,000,000 general and product liability policy, which covers the manufacture and marketing of our products. Although we believe our insurance coverage to be adequate, we may not have sufficient insurance coverage, and we may not be able to obtain sufficient coverage at a reasonable cost. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products. A product liability claim could hurt our financial performance. Even if we avoid liability exposure, significant costs could be incurred that could hurt our financial performance and condition.

Our inability to protect our intellectual property rights may force us to incur unanticipated costs.

Our success will depend, in part, on our ability to obtain and maintain protection in the United States and other countries for certain intellectual property incorporated into our water purification systems and our proprietary methodologies. We may be unable to obtain patents relating to our technology. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, which could limit our ability to prevent competitors from marketing similar solutions that limit the effectiveness of our patent protection and force us to incur unanticipated costs. In addition, existing laws of some countries in which we may provide services or solutions may offer only limited protection of our intellectual property rights.

Our products may infringe the intellectual property rights of third parties, and third parties may infringe our proprietary rights, either of which may result in lawsuits, distraction of management and the impairment of our business.

As the number of patents, copyrights, trademarks and other intellectual property rights in our industry increases, products based on our technology may increasingly become the subject of infringement claims. Third parties could assert infringement claims against us in the future. Infringement

claims with or without merit could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or licensing agreements, if required, might not be available on terms acceptable to us. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation to determine the validity of any claims, whether or not the litigation is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel from productive tasks. If there is an adverse ruling against us in any litigation, we may be required to pay substantial damages, discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses to infringing technology. Our failure to develop or license a substitute technology could prevent us from selling our products.

Risk Factors Relating to Our Common Stock

Exercise of our warrants or conversion of our convertible preferred stock will dilute the ownership interest of existing stockholders.

The exercise of our warrants into shares of our common stock will dilute the ownership interests of existing stockholders. Any sales in the public market of the shares of our common stock issuable upon exercise of our warrants or conversion of our convertible preferred stock could adversely affect prevailing market prices of our common stock. In addition, the existence of the warrants or the convertible preferred stock may encourage short selling by market participants due to this dilution or facilitate trading strategies involving the notes and our common stock.

Future sales of shares of our common stock in the public market could adversely affect the trading price of shares of our common stock and our ability to raise funds in new stock offerings.

Future sales of substantial amounts of shares of our common stock in the public market, or the perception that such sales are likely to occur, could affect prevailing trading prices of our common stock and, as a result, the value of the notes. As of May 29, 2006, we had 194,723,097 shares of common stock outstanding.

We do not anticipate paying cash dividends in the foreseeable future, which could adversely affect the price of our stock.

We, by reason of our anticipated financial status and our contemplated financial requirements, do not contemplate or anticipate paying any dividends upon our common stock in the foreseeable future. Any payment of cash dividends in the future will be dependent upon the amount of funds legally available, the earnings, financial conditions, capital requirements and other factors that the board of directors may think are relevant. As a result, you may never receive a stream of cash payments from dividends, which could adversely affect the price of our stock.

Although we are subject to the information and reporting requirements of the Securities Exchange Act of 1934, our common stock is not quoted or traded on a national exchange and investors in our common stock will be subject to risks associated with the public trading market generally.

We cannot predict the extent to which a trading market will develop or how liquid that market might become. If you exercise your warrants and receive common stock, you will pay a price that was not established in the public trading markets. You may suffer a loss of your investment.

A significant number of our shares will be available for future sale and could depress the market price of our stock.

As of May 29, 2006, there were 194,723,097 shares of common stock outstanding, outstanding warrants to purchase 1,666,667 shares of our common stock at an exercise price of $0.15 per share and 430,000 shares of our common stock at $0.14 per share, all of them fully vested, 1,736,680 shares of common stock issuable upon conversion of our Series F convertible preferred stock, and 5,000,000 stock appreciation rights. Sales of large amounts of our common stock in the market could adversely affect the market price of the common stock and could impair our future ability to raise capital through offerings of our equity securities. A large volume of sales by holders exercising the warrants or stock appreciation rights could have a significant adverse impact on the market price of our common stock.

The market price of our common stock is volatile, leading to the possibility of its value being depressed at a time when you want to sell your holdings.

The market price of our common stock has in the past been, and may in the future continue to be, volatile. For instance, between January 1, 2002 and May 31, 2006, the closing bid price of our common stock has ranged between $0.01 and $0.34. Many factors could cause the market price of our common stock to fluctuate substantially, including:

- future announcements concerning us, our competitors or other companies with whom we have business relationships;
- changes in government regulations applicable to our business;
- changes in market conditions for our industry;
- overall volatility of the stock market and general economic conditions;
- changes in our earnings estimates or recommendations by analysts; and
- changes in our operating results from quarter to quarter.

In addition, the stock market in recent years has experienced significant price and volume fluctuations for reasons unrelated to operating performance. These market fluctuations may adversely affect the price of our common stock at a time when you want to sell your interest in us.

Your ability to influence corporate decisions may be limited because our major stockholders own a large percentage of our common stock.

Our significant stockholders own a substantial portion of our outstanding stock. As a result of their stock ownership, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our Company on terms that other stockholders may desire. In addition, as the interests of our majority and minority stockholders may not always be the same, this large concentration of voting power may lead to stockholder votes that are inconsistent with your best interests or the best interests of us as a whole.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes and incorporates by reference forward-looking statements. When used or incorporated by reference in this prospectus, statements which are not historical in nature, including the words "may," "will," "should," "continue," "future," "potential," "believe," "expect," "anticipate," "project," "plan," "intend," "seek," "estimate" and similar expressions are intended to identify forward-looking statements.

The forward-looking statements in this prospectus are based upon our management's beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to us. These statements are not statements of historical fact. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or financial condition to be materially different from any future results expressed or implied by these statements. Such factors include, among other things, the risks discussed in this prospectus under the caption "Risk Factors."

In light of these and other uncertainties, the forward-looking statements included or incorporated by reference in this prospectus should not be regarded as a representation by us that our plans and objectives will be

achieved. You should not place undue reliance on any forward-looking statements, and we undertake no obligation to publicly update or revise any forward-looking statements after the date of this prospectus, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares owned by the selling securityholders.

MARKET FOR OUR COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Our Common Stock is quoted on the OTCBB under the symbol WTER.OB. As of May 29, 2006, there were approximately 814 holders of record of our common stock. The following table sets forth the high and low bid prices for our common stock for the periods indicated as reported by the OTCBB. The prices state inter-dealer quotations, which do not include retail mark-ups, mark-downs or commissions. Such prices do not necessarily represent actual transactions.

Fiscal Year-Ended December 31, 2006	High	Low
First Quarter	$ 0.19	$ 0.07
Second Quarter (through May 31, 2006)	0.23	0.10
Fiscal Year-Ended December 31, 2005	High	Low
First Quarter	$ 0.28	$ 0.14
Second Quarter	0.21	0.11
Third Quarter	0.29	0.13
Fourth Quarter	0.17	0.06
Fiscal Year-Ended December 31, 2004		
First Quarter	$ 0.36	$ 0.16

Second Quarter	0.37	0.14
Third Quarter	0.34	0.14
Fourth Quarter	0.29	0.14

We have not paid any dividends on our common stock and do not anticipate declaring or paying any cash dividends in the foreseeable future. We currently expect to retain future earnings, if any, to finance the growth and development 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 convertible preferred stock (See "Description of Securities"), the holders of our common stock are entitled to dividends when and if declared by our Board of Directors from legally available funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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.

RESULTS OF OPERATIONS

Revenue for the three months ended March 31, 2006 and 2005 were $115,000 and $260,000 respectively. During the three months ended March 31, 2006, the Company recognized the sale of two PureSafe Water Station Systems.

Cost of sales for the three month period ended March 31, 2006 and 2005 were $51,000 and $0, respectively. An analysis of the components of cost of sales in the 2006 and 2005 periods follows:

Cost of Sales Period	Product CGS	Rent and Overhead Payments to Manufacturer	Total
For the three months ended March 31, 2006	$ 30,000	$ 21,000	$ 51,000
For the three months ended March 31, 2005	$ --	$ --	$ --

Selling, general and administrative expenses for the three months ended March 31, 2006 were $284,971, compared to $347,979 for the three months ended March 31, 2005, a decrease of 18%.

The net loss for the three months ended March 31, 2006 was $490,971 compared to $4,196 in the same period ended March 31, 2005.

Sales for the years ended December 31, 2005 and 2004 were $260,000 and $56,290, respectively. During the year ended December 31, 2005, the Company recognized the sale of five PureSafe Water Station Systems. Four of these were purchased for use in Ecuador and the fifth system was purchased by a humanitarian buyer to be used as part of the tsunami relief effort in Sri Lanka. In addition, Water Chef received deposits totaling $115,000 during 2005 for relief effort systems that were shipped in 2006. During the first quarter of 2006, the Company recognized $115,000 of revenue for the two units that were shipped.

Cost of sales decreased from $62,250 for the year ended December 31, 2004, to $42,000 for the year ended December 31, 2005, a decrease of $20,250, or 33%. 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
2005	$13,250	$49,000	$62,250
2004	$ 0	$42,000	$42,000

Selling, general and administrative expenses for the year ended December 31, 2005 were $1,194,577 compared to $1,296,265 for the year ended December 31, 2004, a decrease of $101,688 or 8%. The decrease in expense is primarily due to higher professional fees (approximately $187,000) in 2004.

Interest expense for the year ended December 31, 2005 was $244,191 compared to $150,228 for the year ended December 31, 2004, an increase of $93,963, or 63%, primarily related to the accretion of the debt discount, amortization of deferred financing costs and the issuance of 100,000 shares of common stock valued at $14,200 for the one month deferral to request payment.

In 2004, the Company recognized a loss on settlement of debt of $2,407,867.

The net loss for the year ended December 31, 2005 was $1,168,328 compared to $3,757,802 for the year ended December 31, 2004, a decrease of $2,589,474.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2006, the Company had a working capital deficiency of approximately $3,266,000. In addition, the Company continues to suffer recurring losses from operations and has an accumulated deficit since inception of approximately $25,070,000. 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 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. Subsequent to March 31, 2006, the Company sold 4,219,230 shares of common stock for proceeds of $280,000.

On May 8, the Company entered into a forbearance agreement with Occidental Engineering Consultants Limited pursuant to which the Company is obligated to issue 3,000,000 million shares of common stock to be applied to accrued interest and costs and then to principal due under certain secured promissory note, dated May 4, 2001, in the original principal amount of $400,000. The value of such shares shall be determined in accordance with the terms of the forbearance agreement and is dependent upon the effective date of the registration statement covering the resale of such shares.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

SELLING SECURITYHOLDERS

The following table sets forth the names of each of the selling securityholders, the number of shares beneficially owned by each of the selling securityholders, the number of shares that may be offered under this prospectus and the number of shares of common stock owned by each of the selling securityholders after the offering is completed. None of the selling securityholders has been an officer, director or had any material relationship with us within the past three years.

Name	Number of Common Shares Owned Prior to the Offering	Number of Common Shares to be Offered	Nu Shar Class
William Duncan	741,071	228,571	
Shaul Kochan	1,000,000	1,000,000	
Abraham Kaszovitz	250,000	250,000	
Akiva Kaszovitz	250,000	250,000	
Chumie Kaszovitz	250,000	250,000	
Isaac Kaszovitz	250,000	250,000	
Jacob Kaszovitz	250,000	250,000	
Robert Kaszovitz	2,684,615	2,684,615	
Raimond Irni	450,000	450,000	
Schaul Neumann	250,000	250,000	
Occidental Engineering Consultants Ltd.(1)	3,100,000	3,000,000	
Max Ollech	3,434,615	2,184,615	
Resnick Druckman Group, LLC (2)	382,500	250,000	
TOTAL:	13,292,801	11,297,801	

* - Less than 1%

(1) Efstathios Basios, the principal of Occidental Engineering Consultants Ltd., has voting and dispositive power over the shares of common stock held by Occidental Engineering Consultants, Ltd.

(2) Jeffrey Resnick and Barry Resnick, the principals of Resnick Druckman Group, LLC, share voting and dispositive power over the share of

common stock held by Resnick Druckman Group, LLC.

Our registration of the shares included in this prospectus does not necessarily mean that the selling securityholders will opt to sell any of the shares offered hereby. The shares covered by this prospectus may be sold from time to time by the selling securityholders so long as this prospectus remains in effect.

PLAN OF DISTRIBUTION

We are registering the resale of up to 3,000,000 shares of our common stock issuable pursuant to our forbearance agreement dated as of May 8, 2006. We will not receive any proceeds from the subsequent sale of this common stock. We will bear all fees and expenses incident to registering these shares of common stock.

We are also registering the resale of 8,297,801 shares of common stock on behalf of the selling securityholders, as well as on behalf of their donees, pledgees, transferees or other successors-in-interest, if any, who may sell shares received as gifts, pledges, distributions or other non-sale related transfers. Neither we, nor the selling securityholders, have employed an underwriter for the sale of common stock by the selling securityholders. The selling securityholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of the shares by the selling securityholders. We will not receive any proceeds from the subsequent sale of the shares of common stock. We will bear all expenses in connection with the preparation of this prospectus and registration of the shares. The selling securityholders will bear brokerage commissions and similar selling expenses associated with the sale of their common stock.

If any shares of common stock being registered for resale in the accompanying registration statement are transferred from the selling securityholders listed in this prospectus and such transferees wish to rely on this prospectus to resell these shares, then a prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part, would need to be filed with the Securities and Exchange Commission naming these individuals as selling securityholders.

The selling securityholders may offer their shares of common stock from time to time directly or through pledgees, donees, transferees or other successors in interest in one or more of the following transactions (which may include block transactions):

- On any stock exchange or automated quotation system on which the shares of common stock may be listed at the time of sale;
- In negotiated transactions;
- In the over-the-counter market;
- Put or call option transactions relating to the shares;
- Short sales relating to the shares; or
- In a combination of any of the above transactions.

The selling securityholders may offer their shares of common stock at any of the following prices, which may reflect discounts from the prevailing market prices at the time of sale:

- Fixed prices that may be changed;
- Market prices prevailing at the time of sale;
- Prices related to such prevailing market prices;
- At negotiated prices; or
- Varying prices determined at the time of sale.

The selling securityholders may effect such transactions by selling shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling securityholders and/or the purchasers of shares of common stock for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

Any broker-dealer acquiring common stock from the selling securityholders may sell the shares either directly, in its normal market-making activities, through or to other brokers on a principal or agency basis or to its customers. Any such sales may be at prices then prevailing on the OTCBB or at prices related to such prevailing market prices or at negotiated prices to its customers or a combination of such methods. The selling securityholders and any broker-dealers that act in connection with the sale of the common stock hereunder might be deemed to be "underwriters" within the meaning of Section

2(11) of the Securities Act of 1933, as amended (the "Securities Act") any commissions received by such broker-dealers and any profit on the resale of shares sold by them as principals might be deemed to be underwriting discounts and commissions under the Securities Act. The selling securityholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because selling securityholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act the selling securityholders will be subject to the prospectus delivery requirements of the Securities Act.

The selling securityholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of such Rule.

If we are notified by a selling securityholder that any material arrangement has been entered into with a broker-dealer for the sale of the shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a post-effective amendment to the registration statement of which this prospectus is a part under the Act disclosing:

- the name of each such selling securityholder and of the participating broker-dealer(s);
- the number of shares involved;
- the price at which such shares were sold;
- the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable;
- that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and
- other facts material to the transaction.

None of the selling securityholders is a broker-dealer or an affiliate of a broker-dealer.

There can be no assurance that the selling securityholders will sell any or all of the shares offered by them under this prospectus.

BUSINESS

THE COMPANY

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 its patented line of "PureSafe" water purification systems. To date, the Company has shipped 26 PureSafe units. Revenue has been recognized on only 8 PureSafe units, as 18 units that were shipped to the Kingdom of Jordan have not met the criteria for revenue recognition due to no reasonable assurance of collectibility. In addition to those units shipped in 2005, Water Chef received payment in 2005 for two additional units that will ship in 2006.

BACKGROUND

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, which manufactured and marketed water coolers and filters.

PRODUCTS

In 2001, the Company decided to concentrate its efforts on the further development, manufacturing and marketing of 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.

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 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.

The PureSafe was tested by H2M Labs, Inc. which has been approved by Nassau and Suffolk counties in New York to perform drinking water testing for the various municipalities in those counties. The specific test performed was a total and fecal coliform bacteria test, wherein the source water storage tank which feeds the PureSafe was tested for the presence of total and fecal coliform bacteria. The source water tank was found to have 50 colonies of coliform bacteria present. The source water tank was then "spiked" with a three (3) liter concentration of laboratory grown and cultured bacteria and the storage tank was measured again with 80,000,000 colonies of bacteria detected. After being processed through the PureSafe system, the water was tested again, and "FEWER THAN 2 COLONIES" were detected. In addition to the laboratory test conducted for Water Chef by H2M Labs, the available scientific literature, in industry journals such as Water Technology and Water Conditioning and Purification International, supports the statement that an ozone system such as the one utilized in the PureSafe effectively eliminates all living pathogens. Ozone was first used in municipal water treatment in Nice, France in 1904, and then in the Jerome Park Reservoir in the Bronx, New York in 1906.

The PureSafe is a self-contained, six stage water purification center. It is housed in the equivalent of a small storage container - approximately four feet wide, seven feet long, and six and one-half feet high. The unit weighs approximately eleven hundred pounds (without water) and has been configured for portability, durability, and easy access to its essentially off-the-shelf components. It is constructed with weather and UV resistant fiberglass, aluminum and steel, and is equipped with internal and external lighting.

The core version of the PureSafe can purify and dispense up to 15,000 gallons of water per day for an all-inclusive cost (labor, power, amortization of the capital cost, replacement filters, cartridges and media) of approximately one-half cent per gallon. The process wastes very little water, producing approximately one gallon of pure drinking water for every gallon processed. The unit can be moved with a single fork-lift and is transportable by truck or helicopter. Operating the PureSafe is simple and straightforward. Due to its turn-key design, minimum wage personnel can be trained to operate the unit. A system of fail-safes is built into the operation, and aside from easily installable spares such as filters and cartridges, a maintenance and oversight program established by Water Chef should maintain the operating efficiencies built into the system. Water Chef warrants each unit for a period of one year so long as the consumer adheres to required maintenance protocols, using Water Chef supplied parts, as prescribed in the maintenance manual. The Company also offers larger stand-alone versions of the PureSafe to provide pure water in quantities up to 20,000 gallons per hour. To date, there have been no warranty claims for the PureSafe product operating in the field. Water Chef also plans to have periodic inspections of installed equipment by the Company's agents.

MANUFACTURING

In 2000, the Company entered into a subcontracting agreement with Davis Aircraft Products Inc, ("Davis") for the manufacture of the PureSafe. Based upon the experience and the resources of Davis, Water Chef's management believes that Davis can provide the production and manufacturing support services necessary to supply Water Chef's requirements over the foreseeable future at a price, and with the quality and performance standards necessary to meet, or exceed, the needs of the markets that the Company expects to serve. In addition, Davis supervises much of the Company's research and development activities.

RAW MATERIALS

The PureSafe has been designed to use, for the most part, readily available off-the-shelf components, sub-systems and equipment. Inasmuch as each of the components and sub-systems are available from multiple vendors, the Company does not believe that obtaining these for its sub-contractor, for itself, or for others if it chooses to manufacture elsewhere, will be a problem.

COMPETITION

Water Chef's modular, turn-key PureSafe Water Station directly addresses the drinking water needs of those environs which do not today, and are unlikely to, enjoy access to municipally treated water. The Company has produced 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), and products for residential markets do not offer the performance or features to meet the needs of the underdeveloped nations of the world.

Management does recognize that its potential competitors have far more resources, and that being first to the marketplace is no assurance of success. It must be assumed that others are working on systems that, if successfully brought to market, could seriously impact the viability of the Company.

The Company currently has contracts to sell PureSafe units in Laos and Ecuador. In addition, the Company is actively marketing its products to potential customers in Bangladesh, China, El Salvador, Egypt and Honduras, and to agencies and departments of the U.S. Government.

MARKETING

The potential market for the PureSafe is substantial and is both worldwide and domestic. 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 deficits. In part, solving this problem has been a question of appropriate technology. Secondarily, but just as important, in a vast part of the world is the need to secure third party financing so that the local populace can enjoy the benefits of clean water.

Water Chef believes that it has demonstrated that it possesses the technology. The Company also believes that financing is available for third world economies from a variety of sources. The challenge for the Company, a virtual unknown in the industry and with limited capital, is in getting its message in front of decision makers. To this end, Water Chef has enlisted the aid of some of the world's most outstanding experts in water purification, especially as it relates to the needs of underdeveloped countries.

The Company's Scientific Advisory Board is chaired by Dr. Ronald Hart, former Director of The National Center for Toxicological Research and a U.S. Food and Drug Administration "Distinguished Scientist in Residence." The Board also includes Dr. Mohamed M. Salem, Professor of Occupational and Environmental Medicine, Cairo University; Dr. Richard Wilson, Mallinckrodt Research Professor of Physics, Harvard University; Dr. Mostafa K. Tolba, former Under-Secretary-General of the United Nations and Director of the U.N.'s Environmental Program; and Lord John Gilbert, former Minister of State for Defense for the United Kingdom under three Prime Ministers and Secretary/Treasurer of the Tri-Lateral Commission.

Not only have the members of the Scientific Advisory Board provided valuable input and guidance to the Company with respect to system design, technological input, remediation approaches and a great deal of information relative to the unique water problems facing many areas of the world, but they have also been active in introducing Water Chef to commercial opportunities.

During 2004, Water Chef established a relationship with the International Multiracial Shared Cultural Organization (IMSCO), an NGO (non-governmental organization) specialized with the Economic and Social Council of the United Nations. As a result of this relationship Water Chef has received United Nations certification for its pure water humanitarian projects in Honduras and Bangladesh, and became eligible to apply for third party funding of these projects. As of year-end 2004, the Company has submitted these projects for funding approval, but has received no assurance of funding.

With the recent funding of the Homeland Security Department budget, and a renewed focus on preparedness in the event of possible future terrorist attacks in the United States, programs have been initiated to ensure the protection and preservation of our water resources. Water Chef has been in discussion with political and government contacts to explore the applications for the PureSafe as a back-up drinking water system in case of damage to municipal systems. The Company has also initiated contact with senior government personnel to explore the use of our technology to safeguard water supplies at U.S. installations overseas.

PATENTS

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, Korea 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; and the Korean Patent Application No. 10-2001-0070453 was filed on November 20, 2001. 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.

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 and believes that it can protect this intellectual capital throughout the manufacturing and distribution cycle.

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 PureSafe to be influenced by seasonality.

GOVERNMENT APPROVALS

The Company's marketing efforts to date have been directed to Central and South America, the Asian sub-continent, and the Middle East. No specific government approvals are required, except for the possibility that export licenses will be required in specific instances.

RESEARCH AND DEVELOPMENT

Research and development takes place at the Company's office. Testing, modeling, simulation and prototype manufacturing are outsourced with much of the ongoing development taking place at the Company's contract manufacturing facilities under the supervision of Davis Water Products. The Company estimates to date that the design, prototyping, development and marketing of the PureSafe Water Station has cost in excess of $2 million.

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INSURANCE

The Company maintains a $1,000,000 umbrella policy, in addition to a $2,000,000 general and product liability policy, which covers the manufacture and marketing of its products. The Company believes its insurance coverage to be adequate.

EMPLOYEES

As of May 31, 2006, the Company employed one executive officer and two administrative personnel 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.

DESCRIPTION OF PROPERTY

The Company presently has no owned or leased manufacturing facilities, nor does the Company have a plan to acquire its own manufacturing facility. The PureSafe Water Station is manufactured for the Company under a contract by Davis Water Products.

The Company maintains its principle place of business at 1007 Glen

Cove Avenue, Suite 1, Glen Head, New York 11545. The company leases 1,100 square feet in such building at $2,638 per month on a month-to-month basis.

To the extent possible, the Company intends to utilize leased space for its future needs.

LEGAL PROCEEDINGS

In May 2001, the Company entered into a distribution agreement with a company (the "Sub Distributor") based in Jordan. The Sub Distributor has agreed to purchase no fewer than 100 units of the Company's "Pure Safe Water Station" during 2001 and a minimum of 50 units in each of 2002 and 2003. To date, the Company has shipped 18 units to the Kingdom of Jordan, none of which have met the criteria for revenue recognition due to no reasonable assurance of collectibility. The Company has recorded the cost of the inventory shipped as a loss contingency of $242,035 during the year ended December 31, 2001, since return of the items is uncertain. The Company has engaged legal counsel in Jordan, to pursue legal remedies and obtain payment for all units shipped.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

As of March 31, 2006, the Company's Directors, Executive Officers and Scientific Advisory Board Members are:

Name	Age	Position(s) with the Company
David A. Conway	64	Director, Chairman, President, Chief Executive Officer and Chief Financial Officer
John J. Clarke ++	64	Director
Ronald W. Hart +	63	Chairman, Scientific Advisory Board

Name	Age	Position(s) with the Company
Mohamed M. Salem +	55	Scientific Advisory Board
Marshall S. Sterman++	75	Director
Richard Wilson +	80	Scientific Advisory Board
Mostafa K. Tolba +	84	Scientific Advisory Board
Lord John Gilbert +	81	Scientific Advisory Board

+ Members of the Scientific Advisory Board will receive an honorarium, in the form of cash or common stock, for their service at the discretion of the Board of Directors.

++ Member of Audit Committee and Compensation Committee.

David A. Conway

Mr. Conway was elected to the Board of Directors in 1997 and joined the Company as President and Chief Executive Officer in 1998. Previously, he held the positions of President and COO of a privately held public relations and marketing company; Director and VP Administration of KDI Corporation (NYSE); VP

Administration Keene Corporation (NYSE) and earlier positions with CBS and Goldman Sachs & Co. Mr. Conway, who served as an infantry officer in the US Army, holds undergraduate and graduate degrees from Fordham University and is listed in Who's Who in America.

John J. Clarke

John J. Clarke rejoined the Company's Board of Directors in March 2004. Mr. Clarke had previously served as a member of the Company's Board of Directors from July 1997 to February 2000 when he resigned from the Board due to his heavy workload. Mr. Clarke is a Principal and co-founder of the Baldwin and Clarke Companies, a diversified financial services organization, where he has been employed since 1976, and is a founding director of two New Hampshire commercial banks. Mr. Clarke currently serves as a Director of Centrix Bank.

Ronald W. Hart (Ph.D.)

Dr. Hart agreed to form the Board of Scientific Advisors in 2000 and became Chairman at that time. Dr. Hart is an internationally recognized scientist and scholar who was Director of the National Center for Toxicological Research and was named "Distinguished Scientist in Residence" by the US Food and Drug Administration in 1992. Recognized for his pioneering work on aging and his studies on nutrition and health, Dr. Hart has been appointed visiting professor at a number of universities, including Cairo University, Seoul National University and Gangzhou University. He received his doctorate in physiology and biophysics from the University of Illinois.

Mohamed M. Salem (M.D./Ph.D.)

Dr. Salem was appointed to the Scientific Advisory Board in early 2001. Dr. Salem is Professor of Occupational and Environmental Medicine at the Kasr El-Aini School of Cairo University. An internationally recognized expert on the health effects of environmental and water contaminants including pesticides, lead and other metals, Dr. Salem is credited with establishing infectious disease control programs at medical centers and other public entities throughout the Middle East. Dr. Salem is a principal of Salem Industries, an import and export company, which is one of the leading suppliers of chemicals and oil field equipment in the Middle East. Dr. Salem holds both an M.D. and Ph.D. from Cairo University.

Marshall S. Sterman

Mr. Sterman was elected to the Board of Directors in 2000. Mr. Sterman is President of the Mayflower Group, a Massachusetts based merchant bank, where he has been employed since 1986. He previously served as managing partner of Cheverie and Company and MS Sterman & Associates, merchant banking firms and principal of Sterman & Gowell Securities, an investment banking and securities firm. Mr. Sterman served as an officer in the US Navy and holds his BA from Brandeis University and his MBA from Harvard University.

Richard Wilson (Ph.D.)

Dr. Wilson was appointed to the Scientific Advisory Board in February 2001. Dr. Wilson is the Mallinckrodt Research Professor of Physics at Harvard University. Dr. Wilson is one of the foremost scientific authorities in the fields of water quality remediation and purification, and is currently Professor of the Energy Research Group at the University of California. Dr. Wilson is a member of the Advisory Board of the Atlantic Legal Foundation, and is one of the principal scientists studying the resolution of the water problems in Chernobyl and in Bangladesh where toxic levels of arsenic contaminate the water supply. Dr. Wilson holds his Ph.D. from Oxford University.

Mostafa K. Tolba (Ph.D.)

Dr. Tolba joined the Scientific Advisory Board in June 2001. Dr. Tolba served as Under-Secretary-General of the United Nations, and Executive Director of the United Nations Environmental Program from 1976 to 1992. Dr. Tolba is currently President of the International Center for Environment and Development headquartered in Geneva, Switzerland, and Emeritus Professor of Science at the Kasr El-Aini School of Medicine at Cairo University. He received his Ph.D. in Macrobiology from Imperial College, London, England.

Lord John Gilbert (Ph.D.)

Lord John Gilbert joined the Scientific Advisory Board in 2001. Lord Gilbert served as Minister of State for Transportation, Minister of State for Finance, and as Minister of State for Defense in the United Kingdom under three Prime Ministers. Lord Gilbert is Secretary/Treasurer of the Tri-Lateral Commission and a member of the House of Lords. He was educated at Marchant Taylors' School and St. John's College, Oxford, and holds a Ph.D. in International Economics and Statistics from New York University.

Marshall S. Sterman and John J. Clarke are the members of the Company's Audit Committee. The Board of Directors has determined that Mr. Sterman is an "audit committee financial expert" as defined in Item 401(e) of Regulation S-B.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation				Long-Term Compen	
	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award(s) ($)	Securi Under Optio SA (
David A. Conway	2005	$350,000	--	--	--	-
President/CEO	2004	$303,750	--	--	--	5,00
	2003	$165,000	--	--	--	-

The Company did not issue any stock options or common stock appreciation rights during fiscal 2005.

The Company has no Long-Term Incentive Plans at this time

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DIRECTORS' COMPENSATION

Directors of the Company do not receive cash compensation for serving as members; they are reimbursed for their out of pocket expenses related to meetings and other Company related activity for which they are called upon. In the past certain directors have received common stock for service to the Company.

In 2005, Mr. Sterman was compensated at the rate of $6,000 per month for consulting services performed for the Company. The Company may pay for these services in cash or stock, and may terminate these services at its option. There is $267,500 due to him for this service as of December 31, 2005.

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.

EMPLOYMENT AGREEMENTS

Mr. Conway entered into a five-year employment agreement in January 2004. The agreement provides 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. 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.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

The Company's amended and restated certificate of incorporation and bylaws eliminate, in certain circumstances, the liability of Directors for breach of their fiduciary duty. This provision does not eliminate the liability of a Director (i) for breach of the Director's duty of loyalty to the Company or its stockholders (ii) for acts of omissions by the director not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) for willful or negligent declaration of an unlawful dividend, stock purchase or redemption; (iv) for transactions from which the Director derived an improper personal benefit; or (v) for any act or omission occurring prior to the effective date of the amended and restated certificate of incorporation.

The Company's amended and restated certificate of incorporation provides generally for indemnification of the Directors and Officers to the full extent permitted under Delaware law, and permits indemnification for all other persons whom the Company is empowered to indemnify.

These provisions do not limit or eliminate our rights or those of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a Director's fiduciary duty. These provisions will not alter a Director's liability under federal securities laws. Our amended and restated bylaws also contain provisions indemnifying our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. We believe that these provisions are necessary to attract and retain qualified individuals to serve as Directors and officers.

Insofar as indemnification for liabilities arising under the Act may be permitted to Directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth below is information as of May 29, 2006, concerning stock ownership of all persons known by the Company to own beneficially 5% or more of the issued and outstanding common stock of the Company, all Directors, all 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 May 29, 2006.

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	Common Stock Beneficially Owned(1)		Series A Preferred Stock Beneficially Owned(1)		Series D Preferred Stock Beneficially Owned(1)	
	Shares	%	Shares	%	Shares	%
David A. Conway (2) (3) Water Chef, Inc. 1007 Glen Cove Ave., Suite 1 Glen Head, NY 11545	25,110,782	12.9%	--	--	--	--
Marshall S. Sterman 46 Neptune Street Beverly, MA 01915	700,000	*	--	--	--	--
John J. Clarke 116B S. River Rd. Bedford, NH 03110	1,131,700	*	--	--	--	--
Jerome Asher & 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	10.8%
C Trade Inc 25-40 Shore Blvd., Ste. 6C Astoria, NY 11102	--	--	--	--	--	--
Adir Elizier 828 Dorian Court Far Rockaway, NY 11691	--	--	--	--	--	--
Peter Hoffman 7035 Vleigh Place Flushing, NY 11367	--	--	--	--	--	--

Robert Kaszovitz 1621 51st Street Brooklyn, NY 11204	--	--	--	--	--	--

	Common Stock Beneficially Owned(1)		Series A Preferred Stock Beneficially Owned(1)		Series D Preferred Stock Beneficially Owned(1)	
	Shares	%	Shares	%	Shares	%
Kollel Metzioynim Lhoroah 254 Wallabout St., Apt. 2A Brooklyn, NY 11206	--	--	--	--	--	--
Olshan Grundman Frome Rosenzweig & Wolosky LLP 65 East 55th Street New York, NY 10022	--	--	--	--	--	--
Eugene D. Trott 459 12th St, Apt. 3B Brooklyn, NY 11215	--	--	--	--	--	--
Shirley M. Wan 5455 Chelsen Wood Dr. Lawrence, NY 11559	--	--	--	--	--	--
All executive officers and directors as a Group (2)	26,942,482	13.8%	--	--	--	--

* less than 1%

1. A person is deemed to be the beneficial owner of voting securities that can be acquired by such person within 60 days after the record date 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 after the record date) have been exercised or converted.

2. Includes 10,495,067 shares held in an IRA Trust.

3. In March 2002, Mr. Conway voluntarily surrendered the anti-dilution agreement that insured 32.6% ownership of the voting shares to Mr. Conway and his affiliates.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 340,000,000 shares of common stock and 10,000,000 shares of preferred stock, of which 400,000 shares have been designated Series A Preferred Stock, $.001 par value per share, 400,000 shares have been designated Series C convertible preferred stock, $.001 par value per share, 400,000 shares have been designated Series D Preferred Stock, $.001 par value per share, and 1,000,000 shares have been designated Series F convertible preferred stock, $.001 par value per share.

Except as to certain matters discussed below or as proscribed by applicable law, the holders of shares of all classes of the capital stock of the Company vote together as a single class. The holders of our capital stock do not

have cumulative voting rights, which means that the holders of more than 50% of the outstanding shares, voting for the election of directors, can elect all of the directors to be elected, if they so choose, and, in that event, the holders of the remaining shares will not be able to elect any of our directors.

The following description of our capital stock is based upon our restated certificate of incorporation, amended and restated bylaws and applicable provisions of law. We have summarized portions of our restated certificate of incorporation and amended and restated bylaws below. The summary is not complete. You should read our certificate of incorporation and amended and restated bylaws for the provisions that are important to you.

Description of the Common Stock

As of May 29, 2006 there were 194,723,097 shares of common stock outstanding which were held of record by approximately 814 shareholders.

Prior to filing the Certificate of Amendment on March 22, 2006 increasing our authorized capital stock to 350,000,000, we were authorized to issue up to 200,000,000 shares of capital stock, consisting of up to 190,000,000 shares of common stock, par value $0.001 per share, and up to 10,000,000 shares of preferred stock. There are presently 194,723,097 shares of common stock outstanding. Total shares issuable upon the exercise of options, warrants and conversion of preferred stock for the three months ended March 31, 2006 were 11,270,107.

Voting

Each holder of common stock is entitled to one vote for each share on all matters to be voted upon by the holders of common stock.

Rights and Preferences

The holders of common stock: (i) have equal ratable rights to dividends from funds legally available if and when declared by our Board of Directors after all accrued but unpaid dividends have been paid to the holders of the outstanding capital stock ranking senior to the common stock as to dividends; (ii) are entitled to share ratably in all of our assets available for distribution to the holders of common stock upon liquidation, dissolution or winding up of our affairs; and (iii) do not have preemptive, subscription or conversion rights, and there are no redemption or sinking fund provisions or rights.

Our common stock is admitted for trading on the OTCBB under the symbol "WTER.OB."

The transfer agent and registrar for our common stock is Computershare Investor Services.

Delaware Anti-Takeover Law and Provisions of our Certificate of Incorporation and Bylaws

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (i) shares owned by persons who are directors and also officers and (ii) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with, or controlling, or controlled by, the entity or person. The term "owner" is broadly defined to include any person that, individually, with or through that person's affiliates or associates, among other things, beneficially owns the stock, or has the right to acquire the stock, whether or not the right is immediately exercisable, under any agreement or understanding or upon the exercise of warrants or options or otherwise or has the right to vote the stock under any agreement or understanding, or has an agreement or understanding with the beneficial owner of the stock for the purpose of acquiring, holding, voting or disposing of the stock.

The restrictions in Section 203 do not apply to corporations that have elected, in the manner provided in Section 203, not to be subject to Section 203 of the Delaware General Corporation Law or, with certain exceptions, which do not have a class of voting stock that is listed on a national securities exchange or authorized for quotation on the Nasdaq Stock Market or held of record by more than 2,000 stockholders. Our certificate of incorporation and amended and restated bylaws do not opt out of Section 203.

Section 203 could delay or prohibit mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Certificate of Incorporation and Bylaws

Provisions of our certificate of incorporation and amended and restated bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our restated certificate of incorporation and amended and restated bylaws:

- provide that the authorized number of directors may be changed only by resolution of the board of directors;

- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum; and

- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose).

LEGAL MATTERS

The validity of the securities offered under this prospectus will be passed upon for us by Olshan Grundman Frome Rosenzweig & Wolosky LLP, New York, New York. As of May 12, 2006, Olshan Grundman Frome Rosenzweig & Wolosky LLP owns 5,000 shares of the Company's Series F convertible preferred stock.

EXPERTS

Our financial statements as of December 31, 2005, and for the years ended December 31, 2005 and 2004 included in this registration statement have been audited by Marcum & Kliegman LLP, an independent registered public accounting firm, as stated in its report, appearing in this registration statement and have been so included in reliance upon the report of such firm given upon its authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document that we file at the Public Reference Room of the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. In addition, the Securities and Exchange Commission maintains an Internet site at http://www.sec.gov from which interested persons can access the reports, proxy and information statements and other information that we electronically file with the Securities and Exchange Commission.

You may obtain a copy of these filings at no cost, by writing or telephoning us at the following:

Water Chef, Inc.
Attention: Investor Relations
1007 Glen Cove Avenue, Suite 1
Glen Head, New York 11545
Tel: (845) 794-4100
www.WaterChef.net

Index to Financial Statements of Water Chef, Inc.

Audited Financial Statements

Unaudited Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheet of Water Chef, Inc., (a development stage company) as of December 31, 2005 and the related statements of operations, stockholders' deficiency and cash flows for the years ended December 31, 2005 and 2004 and for the cumulative period from January 1, 2002 (commencement as a development stage company) to December 31, 2005. 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, 2005 and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004 and for the cumulative period from January 1, 2002 (commencement as a development stage company) to December 31, 2005 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, 2005. 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
March 8, 2006

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WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

CURRENT ASSETS:	
Cash	$ 244,595
Inventories	30,000
Prepaid expenses	22,964
TOTAL CURRENT ASSETS	297,559
Patents and trademarks, Net	17,257
Deferred financing costs, Net	4,687
Other assets	3,162
TOTAL ASSETS	$ 322,665

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Accounts payable (including related party of $4,842)	$ 194,016
Accrued expenses and other current liabilities	324,173
Accrued compensation	537,417
Accrued consulting and director fees	549,083
Customer deposits	115,000

Notes payable (including accrued interest of $540,426)	1,208,286
Convertible promissory note including accrued interest of $2,500 and net of debt discount of $112,800)	139,700
Fair-value of detachable warrants	31,900
Fair-value of embedded conversion option	150,300
Accrued dividends payable	147,470
TOTAL CURRENT LIABILITIES	3,397,345
LONG-TERM LIABILITIES:	
Loans payable to stockholder (including accrued interest of $129,089)	501,870
TOTAL LIABILITIES	3,899,215
COMMITMENTS AND CONTINGENCIES	--
STOCKHOLDERS' DEFICIENCY:	
Preferred stock, $.001 par value; 10,000,000 shares authorized; 235,585 shares issued and outstanding, (liquidation preference $1,624,300)	236
Common stock, $.001 par value; 190,000,000 shares authorized; 181,779,000 shares issued; 181,774,600 shares outstanding	181,779
Additional paid-in capital	20,830,154
Treasury stock, 4,400 common shares, at cost	(5,768)
Accumulated deficit through December 31, 2001	(14,531,596)
Deficit accumulated during development stage	(10,051,355)
TOTAL STOCKHOLDERS' DEFICIENCY	(3,576,550)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 322,665

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

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	For the Per January 1, to Decembe 2005
Sales	$ 260,000	$ 56,290	$ 356

Costs, Expenses and (Income):			
Cost of sales	42,000	62,250	438
Selling, general and administrative - including stock based compensation of $53,827 and $473,878 for the year ended December 31, 2005 and 2004, respectively and $777,390 for the period from January 1, 2002 to December 31, 2005	1,194,577	1,296,265	4,097
Non-dilution agreement termination costs	--	(223,858)	2,462
Interest expense (including interest Expense for related party of $23,868 in both years 2005 and 2004 and $95,472 for the period January 1, 2002 to December 31, 2005)	244,191	150,228	726
Financing Costs - extension of warrants	74,700	--	74
Loss on settlement of debt	--	2,407,867	2,614
Stock appreciation rights	(121,340)	121,340	
Change in fair value of warrants and embedded conversion option	(5,800)	--	(5
	1,428,328	3,814,092	10,407
Net loss	(1,168,328)	(3,757,802)	(10,051
Deemed dividend on preferred stock	--	(2,072,296)	(2,072
Preferred stock dividends	(66,436)	(134,366)	(466
	(66,436)	(2,206,662)	(2,538
Net loss applicable to common stockholders	$(1,234,764)	$(5,964,464)	$(12,590
Basic and Diluted Loss Per Common Share	$(0.01)	$(0.05)	
Weighted Average Common Shares Outstanding - Basic and Diluted	166,132,433	121,549,857	

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)
STATEMENT OF STOCKHOLDERS' DEFICIENCY

Preferred Stock		C
Shares	Amount	Shares

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,
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,

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WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
STATEMENT OF STOCKHOLDERS' DEFICIENCY
(Continued)

	Preferred Stock		C
	Shares	Amount	Shares
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,
(2,463)			
June 30, 2005	(34,020)	(34)	1,360,
(1,327)			
September 30, 2005	(286,650)	(287)	13,382,
(13,096)			
December 31, 2005	(2,188)	(2)	87,
(85)			
Net loss	--	--	--

BALANCE - DECEMBER 31, 2005	235,585	$ 236	181,779,

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)
STATEMENT OF STOCKHOLDERS' DEFICIENCY

-continued-	Stock Subscription Receivable	Treasury Stock	Accumulated Deficit Through December 31, 2001
BALANCE - JANUARY 1, 2002	$ (67,500)	$ (5,768)	$(14,531,59
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	--	--	--
BALANCE - DECEMBER 31, 2002	(37,300)	(5,768)	(14,531,59
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	--	--	--

BALANCE - DECEMBER 31, 2003	--	(5,768)	(14,531,59
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)	--	--	--
Preferred stock converted to common stock			
June 30, 2004	--	--	--
September 30, 2004	--	--	--
December 31, 2004	--	--	--
Net loss	--	--	--
BALANCE - DECEMBER 31, 2004	--	$ (5,768)	$(14,531,59

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WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
STATEMENT OF STOCKHOLDERS' DEFICIENCY
(Continued)

-continued-	Stock Subscription Receivable	Treasury Stock	Accumulated Deficit Through December 31, 2001
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)	--	--	--
21,627			
Preferred stock dividend	--	--	--
Extension of 1,666,667 warrants	--	--	--
Common stock issued for satisfaction of liabilities			
September 30, 2005			
($0.07 Per share)	--	--	--
40,000			
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	--	--	--
BALANCE - DECEMBER 31, 2005	--	$ (5,768)	$(14,531,59

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

	Years Ended December 31,		For the January to Decem
	2005	2004	200
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(1,168,328)	$(3,757,802)	$(10,05
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization of patents	1,854	1,855	
Interest expense - deferred financing	2,813	--	

Stock based compensation	53,827	473,878	77
Accretion of debt discount	75,200	--	7
Change in fair value of warrants and embedded conversion option	(5,800)	--	(
Loss on settlement of debt	--	2,407,867	2,61
Non-dilution agreement termination cost	--	(223,858)	2,46
Inventory reserve	--	--	15
Write-off of stock subscription receivable	--	--	2
Financing costs - warrant extension	74,700	--	7
Change in assets and liabilities			
Inventory	(30,000)	26,500	(3
Prepaid expenses	(5,851)	(5,893)	3
Accounts payable, accrued expenses, accrued dividends, accrued compensation, accrued consulting and director fees, customer deposits and other current liabilities	422,350	265,998	1,47
NET CASH USED IN OPERATING ACTIVITIES	(579,235)	(811,455)	(2,38
CASH FLOWS FROM FINANCING ACTIVITIES			
Reduction of stock subscription receivable	20,000	--	6
Proceeds from sale of preferred stock	--	412,756	1,13
Proceeds from sale of common stock	494,960	377,600	97
Proceeds from sale of common stock to be issued	--	--	20
Deferred financing costs	(7,500)	--	(
Proceeds from convertible promissory note	250,000	--	25
Repayment of notes payable	(15,362)	--	(1
NET CASH PROVIDED BY FINANCING ACTIVITIES	742,098	790,356	2,59
NET INCREASE(DECREASE)IN CASH	162,863	(21,099)	20
CASH AT BEGINNING OF YEAR	81,732	102,831	3
CASH AT END OF YEAR	$ 244,595	$ 81,732	$ 24
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 44,638	$ 20,000	$ 6
NON-CASH FINANCING ACTIVITIES:			
COMPENSATION SATISFIED BY ISSUANCE OF COMMON STOCK	$ --	$ 55,250	$ 5
COMMON STOCK ISSUED IN SATISFACTION OF LIABILITIES	$ 40,000	$ 5,673,721	$ 5,71

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

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

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Water Chef, Inc. (the "Company"), is a Delaware Corporation currently engaged in the design, marketing and sale of water dispensers and purification equipment both in and outside the United States. The Company's corporate headquarters is in Glen Head, NY.

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, 2005 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 carrying amounts of assets and liabilities presented in the financial statements do not purport to represent realizable or settlement values. The Company incurred losses from operations of $1,168,328 and $3,757,802 for the years ended December 31, 2005 and 2004, respectively. The Company has a working capital deficit and a stockholders' deficiency of approximately $3,100,000 and $3,577,000 at December 31, 2005, 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 accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty and these adjustments may be material

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2005 and 2004, respectively.

Stock-Based Compensation - In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS

No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company accounts for stock-based compensation according to APB Opinion No. 25.

The following table summarizes relevant information as to reported results under the Company's intrinsic value method of accounting for stock awards, with supplemental information as if the fair value recognition provision of SFAS No. 123 had been applied for the periods ended December 31, 2005 and 2004 as follows:

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

NOTES TO FINANCIAL STATEMENTS
Continued

	Years ended December 31, 2005	2004
Net loss applicable to common stockholders as reported	$ (1,234,764)	$ (5,964,464)
Add:		
Stock-based employee compensation, included in reported net loss	--	--
Less:		
Stock-based employee compensation, net of tax effect determined under fair value method for all awards	(121,340)	(169,870)
Pro-forma net loss under fair value method	$ (1,356,104)	$ (6,134,334)
Basic and Diluted Net Loss per Common Share:		
As reported	$ (0.01)	$ (0.05)
Pro-forma	$ (0.01)	$ (0.05)

Revenue Recognition - Revenues are recognized when product is shipped, title passes and collectibility is reasonably assured. Allowances for estimated bad debts, sales allowances and discounts are provided when such sales are recorded.

Inventories - Inventories consists of finished goods and are stated at the lower of cost or market utilizing the first-in, first-out method. As of December 31, 2005, inventory was comprised of $30,000 of finished goods.

Shipping and Handling Costs - Shipping and handling costs are expensed as incurred as part of cost of sales. These costs were deemed to be immaterial during each of the reporting periods.

Advertising Costs - Advertising costs are expensed as incurred. Advertising costs, which are included in selling, general and administrative expenses, were deemed immaterial for the years ended December 31, 2005 and 2004, 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.

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

NOTES TO FINANCIAL STATEMENTS
Continued

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 in 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, 2005 and 2004, were 21,270,105 and 34,230,804, respectively.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

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. There were no research and development costs incurred during the years ended December 31, 2005 and 2004, respectively.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123R, "Share Based Payment." This statement is a revision of SFAS Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123R addresses all forms of share based payment ("SBP") awards including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS 123R, SBP awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. This statement is effective for public entities that file as small business issuers - as of the beginning of the first annual reporting period that begins after December 15, 2005.

The Company believes the adoption of this pronouncement will have a material impact on the Company's financial statements, whereby the Company, upon adoption, expects to record a charge for the granting of future employee stock options.

In May 2005, the FASB issued SFAS No. 154 - Accounting for Change in Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement replaces APB Opinion No. 20, "Accounting Changes" and FASB Statement No. 3 "Reporting Accounting Changes in Interim Financial Statements," and changes the requirement for the accounting for and reporting changes in accounting principles. This statement applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. This statement is effective for accounting changes and corrects errors made in fiscal years beginning after December 15, 2005.

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

NOTES TO FINANCIAL STATEMENTS
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The application of this pronouncement is not expected to have an impact on the Company's financial position, results of operations, or cash flows.

In September 2005, the FASB ratified the following consensus reached in Emerging Issues Task Force ("EITF") Issue 05-8 ("Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature"): a) the issuance of convertible debt with a beneficial conversion feature results in a basis difference in applying FASB Statement of Financial Accounting Standards SFAS No. 109, Accounting for Income Taxes. Recognition of such a feature effectively creates a debt instrument and a separate equity instrument for book purposes, whereas the convertible debt is treated entirely as a debt instrument for income tax purposes. b) the resulting basis difference should be deemed a temporary difference because it will result in a taxable amount when the recorded amount of the liability is recovered or settled. c) recognition of deferred taxes for the temporary difference should be reported as an adjustment to additional paid-in capital. This consensus is effective in the first interim or annual reporting period commencing after December 15, 2005, with early application permitted. The effect of applying the consensus should be accounted for retroactively to all debt instruments containing a beneficial conversion feature that are subject to EITF Issue 00-27,,"Application of Issue No. 98-5 to Certain Convertible Debt Instruments" (and thus is applicable to debt instruments converted or extinguished in prior periods but which are still presented in the financial statements).

The application of this pronouncement is not expected to have an impact on the Company's financial position, results of operations, or cash flows.

EITF reached a tentative conclusion on EITF Issue No. 05-1, "Accounting for the Conversion of an Instrument that Becomes Convertible upon the Issuer's Exercise of a Call Option" that no gain or loss should be recognized upon the conversion of an instrument that becomes convertible as a result of an issuer's exercise of a call option pursuant to the original terms of the instrument. The consensus for EITF No. 05-1 has not been finalized.

The application of this pronouncement is not expected to have an impact on the Company's financial position, results of operations, or cash flows.

In June 2005, the FASB ratified EITF Issue No. 05-2, "The Meaning of `Conventional Convertible Debt Instrument' in EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock" ("EITF No. 05-2"), which addresses when a convertible debt instrument should be considered `conventional' for the purpose of applying the guidance in EITF No. 00-19. EITF No. 05-2 also retained the exemption under EITF No. 00-19 for conventional convertible debt instruments and indicated that convertible preferred stock having a mandatory redemption date may qualify for the exemption provided under EITF No. 00-19 for conventional convertible debt if the instrument's economic characteristics are more similar to debt than equity. EITF No. 05-2 is effective for new instruments entered into and instruments modified in periods beginning after June 29, 2005.

The Company has applied the requirements of EITF No. 05-2, (See Note 6) with respect to the impact of this pronouncement on the Company's financial statements.

In June 2005, the EITF reached consensus on Issue No. 05-6, "Determining the Amortization Period for Leasehold Improvements" (EITF 05-6). EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. The guidance in EITF 05-6 will be applied prospectively and is effective for periods beginning after June 29, 2005. EITF 05-6 will not have a material impact on the Company's consolidated financial position or results of operations.

In September 2005, the FASB ratified EITF Issue No. 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues" ("EITF No. 05-7"), which addresses whether a modification to a conversion option that changes its fair value affects the recognition of interest expense for the associated debt instrument after the modification and whether a borrower should recognize a beneficial conversion feature, not a debt extinguishment, if a debt modification increases the intrinsic value of the debt (for example, the modification reduces the conversion price of the debt). EITF No. 05-7 is effective for the first interim or annual reporting period beginning after December 15, 2005.

The Company is currently in the process of evaluating the effect that the adoption of this pronouncement will have on its financial statements.

EITF Issue No. 05-4 "The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to EITF Issue No. 00-19, `Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF No. 05-4") addresses financial instruments, such as stock purchase warrants, which are accounted for under EITF 00-19 that may be issued at the same time and in contemplation of a registration rights agreement that includes a liquidated damages clause. The consensus for EITF No. 05-4 has not been finalized. In November 2005 the Company issued a convertible promissory note, a registration rights agreement and warrants (See Note 6). Based on the interpretive guidance in EITF Issue No. 05-4, Due to certain factors and the liquidated damage provision in the registration rights agreement, the Company determined that the embedded conversion option and the warrants are derivative liabilities and the registration statement becoming effective on January 30, 2006, the value of the registration rights was deemed to be de minims.

4. PATENTS AND TRADEMARKS

Patents and trademarks as of December 31, 2005 consist of the following:

Patents	$ 24,500
Trademarks	1,555
Total cost	26,055
Accumulated amortization	(8,798)
Patents and Trademarks, Net	$ 17,257

Amortization expense for the years ended December 31, 2005 and 2004 was $1,854 and $1,855, respectively. The following table presents the Company's estimate for amortization expense for each of the five succeeding years and thereafter.

2006	$ 1,854
2007	1,854
2008	1,854
2009	1,854
2010	1,854
2011 and thereafter	7,987
	$ 17,257

5. NOTES PAYABLE

Notes payable and accrued interest at December 31, 2005 consist of the following:

(a)	$ 177,116
(b)	846,533
(c)	184,637
Total	$ 1,208,286

(a): These are unsecured notes bearing interest ranging from 10% to 15% per annum, with no specific due date for repayment. An amount due on these notes, inclusive of $93,893 in interest is $177,116, at December 31, 2005. 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 were 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. The amount due on this note, inclusive of $446,533 in interest, is $846,533 at December 31, 2005.

(c) In November 2000, the Company entered into a Convertible Promissory Note agreement, whereby 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, 2005, the balance of the convertible promissory note principal was $184,637 and no interest was owed

6. CONVERTIBLE PROMISSORY NOTES

In November 2005, the Company entered into a Convertible Promissory Note agreement for $250,000. The Convertible Promissory Noted bears interest at a rate of 8% per annum and will mature in March 2006. The Company granted 430,000 warrants to the holder, which are exercisable at $0.14 per share and have a life of three years. The warrants carry a cashless exercise provision.

The note included certain conversion features as follows:

- convertible at any time after the maturity date, at the option of the holder,

- convertible at 85% of the average of the three 3 lowest closing bid prices for the common stock, for the ten trading days ending on the trading day immediately before the conversion date.

NOTES TO FINANCIAL STATEMENTS
Continued

The Convertible Promissory Note agreement required the Company to file a registration statement no later than sixty business days and no less than the amount of subscribed shares, and to cause the registration statement relating to the registrable securities to become effective the earlier of five business days after notice from the Securities and Exchange Commission that the registration statement may be declared effective, or (b) one hundred twenty days.

The Convertible Promissory Note agreement included a liquidated damages clause, which stipulates if the registration statement is not filed by the filing date or declared effective by the effective date, then upon failure of either event the subscriber shall be entitled to liquidated damages, payable in cash, in the sum of one percent (1%) of the principal amount of the Note:

a. for each 30 day period after the filing date that transpires until the date that the Company files the registration statement, and
b. for each 30 day period after the effective date that transpires until such date as the registration statement is declared effective.

The gross proceeds of $250,000 were recorded net of a discount of $188,000. The debt discount consisted of $47,200 related to the warrants and $140,800 related to the embedded conversion option. The warrants and the embedded conversion option were accounted for under EITF issue No. 00-19 "Accounting for Derivative Financial Instruments Index to and Potentially Settled in a Company's Own Stock" and EITF 05-4, view A "The effect of a Liquidated Damages Clause on a Freestanding Financial Instrument." Due to certain factors and the liquidated damage provision in the registration rights agreement, the Company determined that the embedded conversion option and the warrants are derivative liabilities. Accordingly, the warrants and the embedded conversion option will be marked to market through earnings at the end of each reporting period. Due to the fact that the registration statement became effective on January 30, 2006, the value of the registration rights was deemed to be de minims. The warrants and the conversion option are valued using the Black-Scholes valuation model. For the year ended December 31, 2005, the Company reflected a gain of $5,800 representing a change in the value of the warrants and conversion option. The debt discount of $188,000 is being accreted over a period of four months and as a result, a charge of $75,200 was recorded for the year ended December 31, 2005.

This Convertible Promissory Note is secured by 4,000,000 shares held by an officer of the Company. The balance due under this note at December 31, 2005 is $250,000 plus accrued interest of $2,500. The Company incurred fees of approximately $7,500 at the closing date of the note. These costs have been capitalized as of December 31, 2005 as deferred financing costs and will be amortized to interest expense over the life of the note and for the year ended December 31, 2005, $2,813 has been amortized.

7. LOANS PAYABLE - STOCKHOLDER

At December 31, 2004, the Company is obligated to its Chief Executive Officer who is also a significant stockholder for loans and advances made to the Company totaling $372,781, plus accrued interest of $129,089. These advances have been accruing interest ranging from 6% to 12% per annum. The loans have no repayment terms and the stockholder has agreed not to demand payment until July 1, 2007 at the earliest. The Company has reported the obligation as a long-term liability on the balance sheet.

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

NOTES TO FINANCIAL STATEMENTS
Continued

8. COMMON STOCK ISSUED

On June 4, 2004, the Company convened a special meeting of its common, Series A Preferred, Series C Preferred, Series D Preferred, Series F Preferred stockholders (together the "Stockholders"). The Stockholders, voting as a single class, voted and approved a proposal to amend the Certificate of Incorporation to increase the Company's authorized capital stock from 100,000,000 shares to 200,000,000 shares, consisting of 190,000,000 shares of common stock and 10,000,000 shares of preferred stock.

During the year ended December 31, 2005, the Company recorded the following transactions:

a. Cash

During the year ended December 31, 2005, the Company received $494,960 for 7,234,640 shares of its common stock.

b. Services

During 2005, the Company issued to various parties an aggregate of 637,500 shares of its common stock for a value of $39,627 in connection with professional services.

c. Conversion of preferred stock into common stock

During year ended December 31, 2005, the Company issued to various parties an aggregate of 17,349,703 shares of its common stock in connection with the conversion of preferred stock.

d. Settlement of debt

During year ended December 31, 2005, the Company issued to a note holder 571,428 for the settlement $40,000 of debt.

e. Extension of debt

In November 2005, the Company issued 100,000 shares of its common stock for a value of $14,200 to a note holder for an agreement to defer requesting payment for a period of one month. The principal amount of the note is $400,000, and accrued interest is approximately $423,000.

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

NOTES TO FINANCIAL STATEMENTS
Continued

9. PREFERRED STOCK

The Company is authorized to issue 10,000,000 shares of $.001 par value preferred stock, issuable in series with rights, preferences, privileges and restrictions as determined by the board of directors.

At December 31, 2005, outstanding preferred shares were as follows:

	Authorized Shares	Outstanding Shares	Par Value	Current Annual Dividend Requirement	Total Dividend Arrearage	Dividend Arrearage Per Share	Liquidatio Preferenc (including dividend arrearage
Series A	400,000	52,500	$ 53	$ 52,500	$ 570,100	$ 10.86	$1,095,10
Series D	2,000,000	93,000	93	55,800	529,200	5.69	529,20
Series F	1,000,000	90,085	90	32,986	147,263	1.13	--
		235,585	$ 236	$ 141,286	$1,246,563		$1,624,30

Series A:

The Series A preferred stock provides for a 10% cumulative dividend, based on the $10 per share purchase price, payable annually in the Company's common stock or cash, at the Company's option. The Series A preferred stock is not convertible, and is redeemable solely at the Company's option at a price of $11 per share plus accrued dividends. The Series A preferred stockholders have voting rights equal to common stockholders.

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series A preferred stock are entitled to receive out of the assets of the Company the sum of $10.00 per share of Series A preferred stock then outstanding, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final payment or distribution, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series A preferred stock as to such payment or distribution.

Series C:

During the year ended December 31, 2002, the Company sold Series C 15% Convertible Preferred stock at $1.00 per share. These shares convert in one year. All dividends are cumulative and are payable in shares of the Company's common stock valued at the then-current market price per share, or upon conversion, whichever is earlier. The conversion rate for shares, and accrued dividends payable, is 33.33 shares of common for each $1.00 of preferred stock and dividends payable, or $0.03 for each share of common stock. The Series C Preferred stockholders have voting rights equal to the common stockholders. The Series C preferred stock has no stated rights in the assets of the Company upon liquidation. During 2002, the Company sold 125,000 shares of Series C preferred stock. For each share of preferred stock purchased, the buyers also receive the right to receive an additional 33.33 shares of common stock upon conversion, as the market value of the stock was $0.015 at issuance.

Series D:

The Series D preferred stock provides for a 12% cumulative dividend, based on the $5 per share purchase price, payable semi-annually in the Company's common stock or cash, at the Company's option. The Series D preferred stock is not convertible, and is redeemable solely at the Company's option at a price of $5.75 per share plus accrued dividends. The Series D Preferred stockholders have voting rights equal to the common stockholders.

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series D preferred stock are entitled to receive out of the assets of the Company the sum of all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final payment or distribution, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series D preferred stock as to such payment or distribution.

Series F:

In April 2003, management authorized the Company to raise up to $550,000 through a private placement by issuing 10% two-year convertible preferred instruments. The preferred, designated as Series F, and provided for one million shares in total and can be convertible into shares of Water Chef's common stock at such time as the stockholders of the corporation approve an increase in the authorized capital stock of the corporation, which occurred on June 4, 2004. All dividends are cumulative and are payable in shares of the Company's common stock valued at the then current market price per share, at the time of maturity, or upon conversion, whichever is earlier. The conversion rate for shares and accrued dividends payable is 40 shares of common for each share of preferred stock. The Series F convertible preferred stockholders have voting rights equal to the common stockholders. The Series F convertible preferred stock has no stated rights in the assets of the Company upon liquidation.

Although there was a discount upon the issuance of all of the Series F preferred stock in accordance with EITF 98-5, a security is not yet convertible if certain contingencies exist which are dependent upon the occurrence of a future event outside the control of the security holder. In this case, the shares can only be converted into common stock after the stockholders of the Company approve an increase in the authorized capital stock of the corporation. In accordance with EITF 98-5, any beneficial conversion (discount) feature is measured at the commitment date, but will not be recognized as an adjustment to earnings until the contingency is resolved, (the date the increase in shares are approved). In June 2004, the Company voted and approved a proposal to amend the Certificate of

Incorporation to increase the Company's authorized capital stock from 100,000,000 to 200,000,000 shares, consisting of 190,000,000 shares of common stock and 10,000,000 shares of preferred stock. During June 2004, the Company recorded the deferred contingent beneficial conversion adjustment of $2,072,296 as a deemed dividend since the contingency was resolved.

In connection with Series F Preferred Stock conversions, the Company recorded dividends of $66,436 and $41,915 for each of the years ended December 31, 2005 and 2004, respectively.

10. STOCK OPTION, STOCK APPRECIATION RIGHTS AND WARRANT GRANT PLAN

The Company's president and director were issued 6,000,000 options to purchase common stock of the Company in January 2004. The total options granted may be converted to common stock at an exercise price of $0.25 and expire in five years. Those options were converted to stock appreciation rights (the "Conversion") in November 2004. The Conversion consisted of 5,000,000 stock appreciation rights granted to the President which vest over 5 years and 1,000,000 stock appreciation rights granted to the director which vest over 2 years.

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

NOTES TO FINANCIAL STATEMENTS
Continued

In March 1997, the Company, in connection with Bridge Loans for $375,000 issued warrants to purchase 2,500,001 shares of common stock at $.15 per share. These warrants had a life of five years and were to have expired in March 2002. In the year ended December 31, 2000, a total of 333,334 common shares were issued upon the exercise of a like number of warrants, for net proceeds of $50,000. Of the remaining 2,166,667 un-exercised warrants at March 2002, a total of 1,666,667 warrants had their lives extended for an additional two years until March 2004 and then later for another twelve months until March 2005. The remaining balance of 500,000 warrants was not extended, and accordingly they have expired. The extension of the exercise date was part of a settlement that the Company had reached with certain debenture holders that had brought a legal action against the Company. In June 2005, the Company extended for the second time the life of the warrants for one year. The Company recorded an additional charge of $74,700, which has been included in the statements of operations.

The fair value of each stock option, or warrant granted, is estimated on the date of grant using the Black-Scholes option-pricing model. During the year ended December 31, 2005, the Company granted 433,00 warrants in connection with the Convertible Promissory Note [Note 6]. The Company did not grant, nor issue any options in the year ended December 31, 2005. The Company did not grant, nor issue, options or warrants in the year ended December 31, 2004.

The following tables illustrate the Company's warrant issuances and balances outstanding as of, and during the years ended December 31, 2005 and 2004:

	Shares Underlying Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2003	1,166,667	$ 0.15

Granted	-	-
Expired	-	-
Exercised	-	-
Outstanding at December 31, 2004	1,666,667	$ 0.15
Granted	433,000	0.14
Expired	-	-
Exercised	-	-
Outstanding at December 31, 2005	2,099,667	$ 0.15

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

NOTES TO FINANCIAL STATEMENTS
Continued

The following is additional information with respect to the Company's warrants as of December 31, 2005:

WARRANTS OUTSTANDING				WARRANTS EXERCISABLE	
Exercise Price	Number of Outstanding Warrants	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Exercisable Warrants	Weighted Average Exercise Price
$ 0.15	2,099,667	10 Months	$ 0.15	2,099,667	$ 0.15

11. LEASES

The Company's lease for its administrative facilities located in Glen Head, New York is on a month to month basis.

Rent expense, for the years ended December 31, 2005 and 2004 was $30,189 and $29,246, respectively.

12. LITIGATION

In the normal course of business, the Company may be involved in legal proceedings in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. The Company currently is not involved in any legal proceedings which are not in the ordinary course of business.

13. INCOME TAXES

The Company accounts for income taxes under SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. SFAS No. 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

For the year ended December 31, 2005 and 2004, no provision for income taxes has been provided for, as a result of continued net operating losses. The Company is subject to certain state and local taxes based on capital. The state and local taxes based on capital were immaterial for each of the years ended December 31, 2005 and 2004.

The effective tax rate differs from the statutory rate of 34% due to the increase of the valuation allowance.

The Company has net operating loss carry-forwards for federal income tax purposes totaling approximately $17,822,000 at December 31, 2005. These carry-forwards expire between the years 2009 through 2025. Utilization of these loss carry-forwards may be limited under Internal Revenue Code Section 382. The deferred tax asset arising from the net operating loss carry-forwards has been offset by a corresponding valuation allowance.

The valuation allowance relates to the federal and state net operating losses for which utilization in future periods is uncertain. 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. Based on projections for future taxable income over the periods that the deferred tax assets are deductible, the Company believes it is more likely than not that the Company will not realize the benefits of these deductible differences in the near future and therefore a full valuation allowance of $6,950,000 is provided. The valuation allowance increased approximately $50,000 during 2005 related to increased net operating losses.

14. MAJOR CUSTOMERS

Sales for the years ended December 31, 2005 and 2004 were $260,000 and $56,290, respectively. During the year ended December 31, 2005, the Company recognized the sale of five PureSafe Water Station Systems. Four of these were purchased for use in Ecuador and the fifth system was purchased by a humanitarian buyer to be used as part of the tsunami relief effort in Sri Lanka. In addition, Water Chef received deposits totaling $115,000 during 2005 for relief effort systems that will be shipped in 2006.

15. COMMITMENTS AND CONTINGENCIES

In January 1, 2004, the Company entered into a 5 year employment agreement with its Chief Executive Officer ("Employee"). The Company agreed to pay to the Employee for the services to be rendered a base salary at an annual rate of three hundred and fifty thousand dollars. The Company granted to its employee a five-year option for 5,000,000 shares of the Company's outstanding common stock for an option price of $.25 per share. The option will vest in fifty equal, consecutive monthly increments of 100,000 shares each on the first day of each month beginning with January of 2004 and ending with February of 2008. Those options were converted to stock appreciation rights in November 2004. As of December 31, 2005, approximately $442,400 was owed and is included on the balance sheet as part of accrued compensation.

In March 9, 2004, the Company extended for two additional years the consulting agreement with a director. The Company agreed to increase his monthly payment to $10,000 per month. The Company also gave him the right to purchase one million shares of the Company's common stock at a price of $0.25 per share, such right to vest at the rate of 50% per year. Those options were converted to stock appreciation rights in November 2004. For each of the years ended December 31, 2005 and 2004, the Company has incurred a charge of $120,000, which has been included in the statement of operations as part of selling general and administrative costs. In addition, the director earned approximately $25,000 of director fees.

16. CREDIT RISK

The Company maintains its cash in accounts with major financial institutions in the United States. From time to time, these balances may exceed the amounts of insurance provided on such deposits. As of December 31, 2005, the Company has a credit risk exposure of approximately $153,700.

17. SUBSEQUENT EVENTS

On March 14, 2006, the shareholders of the Company approved an increase in the authorized capital stock of the Company from 200 million shares to 350 million shares, comprised of 340 million shares of common stock and 10 million shares of preferred stock.

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WATER CHEF, INC.
(A Development-Stage Company Commencing January 1, 2002)
CONDENSED BALANCE SHEET
AT MARCH 31, 2006
(UNAUDITED)

ASSETS

CURRENT ASSETS:	
Cash	$ 196,921
Prepaid expenses	28,669
TOTAL CURRENT ASSETS	225,590
OTHER ASSETS:	
Patents and trademarks - net	16,794
Other assets	3,162
TOTAL OTHER ASSETS	19,956
TOTAL ASSETS	$ 245,546

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Accounts payable (including related party of $19,677)	$ 201,304
Accrued expenses and other current liabilities	324,173
Accrued compensation	537,417
Accrued consulting and director fees	550,333
Notes payable (including accrued interest of $567,016)	1,226,274
Convertible promissory note (including interest of $6,461)	208,374
Fair-value of detachable warrants	35,200
Fair-value of embedded conversion option	261,200
Accrued dividends payable	147,470
TOTAL CURRENT LIABILITIES	3,491,745
LONG-TERM LIABILITIES:	
Loans payable to stockholder (including accrued interest of $135,056)	507,837
TOTAL LIABILITIES	3,999,582
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIENCY:	
Preferred stock - $.001 par value; 10,000,000 shares authorized; 235,585 shares issued and outstanding, (liquidation preference $1,651,375)	236
Common stock - $.001 par value; 340,000,000 shares authorized; 186,067,785 shares issued and 186,063,385 shares outstanding	186,068
Additional paid-in capital	21,139,350
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	(10,542,326)
TOTAL STOCKHOLDERS' DEFICIENCY	(3,754,036)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 245,546

See notes to condensed financial statements.

WATERCHEF, INC.
(A Development-Stage Company Commencing January 1, 2002)
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31,		For the Period January 1,2002 March 31, 2006
	2006	2005	

SALES	$ 115,000	$ 260,000	$ 471,290
COST OF SALES	51,000	--	489,680
SELLING, GENERAL AND ADMINISTRATIVE - Including stock based compensation of $15,000 and $18,000 for the three months ended March 31, 2006 and 2005 and $792,390 for the period January 1, 2002 to March 31, 2006, respectively	284,971	347,979	4,382,558
NON-DILUTION AGREEMENT TERMINATION COST	--	--	2,462,453
INTEREST EXPENSE - including interest expense to a related party of $5,967 and $5,967 for the three months ended March 31, 2006 and 2005 and $101,439 for the period January 1, 2002 through March 31, 2006	155,800	37,557	881,808
FINANCING COSTS - EXTENSION OF WARRANTS	--	--	74,700
LOSS ON SETTLEMENT OF DEBT	--	--	2,614,017
STOCK APPRECIATION RIGHTS - REDUCTION IN VALUE		(121,340)	--
CHANGE IN FAIR VALUE OF WARRANTS AND EMBEDDED CONVERSION OPTION	114,200	--	108,400
	605,971	264,196	11,013,616
NET LOSS	(490,971)	(4,196)	(10,542,326
DEEMED DIVIDEND ON PREFERRED STOCK	--	--	(2,072,296
PREFERRED STOCK DIVIDENDS	--	(43,885)	(466,666
	--	(43,885)	(2,538,962
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (490,971)	$ (48,081)	$ (13,081,288
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.00)	$ (0.00)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	182,431,046	157,097,654	

See notes to condensed financial statements.

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WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(UNAUDITED)

	Preferred Stock		Common S	
	Shares	Amount	Shares	
BALANCE - JANUARY 1, 2006	235,585	$ 236	181,779,000	$
Proceeds from sale of common stock ($0.07 per share) March 21, 2006	--	--	3,600,000	
Common stock issued for services ($0.06 per share) March 21, 2006	--	--	250,000	
Common stock issued in repayment of debt ($0.11 per share) February 13, 2006	--	--	438,785	
Net loss	--	--	--	
BALANCE - MARCH 31, 2006	235,585	$ 236	186,067,785	$

See notes to condensed financial statements

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WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(UNAUDITED)
(Continued)

	Treasury Stock	Deficit Accumulated Through December 31, 2001	De Accu Du Deve S
BALANCE - JANUARY 1, 2006	$ (5,768)	$(14,531,596)	$(10
Proceeds from sale of common stock ($0.07 per share) March 21, 2006	--	--	

Common stock issued for services ($0.06 per share) March 21, 2006	--	--	
Common stock issued in repayment of debt ($0.11 per share) February 13, 2006	--	--	
Net loss	--	--	
BALANCE - March 31, 2006	$ (5,768)	$(14,531,596)	$(10

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 Three Months Ended March 31, 2006	For the Three Months Ended March 31, 2005	For the Period January 1, 2002 (Inception) to March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (490,971)	$ (4,196)	$(10,542,326)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of patents	463	463	7,879
Interest expense - deferred financing	4,687	--	7,500
Stock-based compensation	15,000	18,000	792,390
Accretion of debt discount	112,800	--	188,000
Change in fair value of warrants and embedded conversion option	114,200	--	108,400
Loss on settlement of debt	--	--	2,614,017
Non-dilution agreement termination cost	--	--	2,462,453
Inventory reserve	--	--	159,250
Write-off of stock subscription receivable	--	--	21,800
Financing cost - warrant extension	--	--	74,700
Changes in assets and liabilities:			
Accounts receivable	--	(125,000)	--
Inventory	30,000	--	--
Prepaid expenses	(5,705)	10,613	27,831
Accounts payable, accrued expenses, accrued dividends, accrued compensation, accrued Consulting and director fees, and other current liabilities	(69,546)	24,016	1,402,593
NET CASH USED IN OPERATING ACTIVITIES	(289,072)	(76,104)	(2,675,513)

CASH FLOWS FROM FINANCING ACTIVITIES:			
Reduction in stock subscription receivable	--	20,000	65,700
Proceeds from sale of preferred stock	--	--	1,130,127
Proceeds from sale of common stock	250,000	10,000	1,222,560
Proceeds from sale of common stock to be issued	--	--	200,000
Deferred financing costs	--	--	(7,500)
Proceeds from convertible promissory note	--	--	250,000
Repayment of notes payable	(8,602)	--	(23,964)
NET CASH PROVIDED BY FINANCING ACTIVITIES	241,398	30,000	2,836,923
NET (DECREASE) INCREASE IN CASH	(47,674)	(46,104)	161,410
CASH AT BEGINNING OF PERIOD	244,595	81,732	35,511
CASH AT END OF PERIOD	$ 196,921	$ 35,628	$ 196,921
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:			
Compensation satisfied by issuance of common stock	$ --	$ --	$ 55,250
Common stock issued for settlement of debt and accrued interest	$ 48,485	$ --	$ 5,763,206

See notes to condensed financial statements.

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 dispensers and purification equipment both inside and outside the United States. The Company's corporate headquarters are located in Glen Head, New York.

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICES

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 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-month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. 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 22, 2006, for the year ended December 31, 2005.

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 revenue when products are shipped and or title passes and collection is reasonably assured.

STOCK BASED COMPENSATION

Prior to January 1, 2006, the Company accounted for employee stock transactions in accordance with Accounting Principle Board, APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company had adopted the pro forma disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation."

Effective January 1, 2006, the Company adopted SFAS No. 123R "Share Based Payment." This statement is a revision of SFAS No. 123, and supersedes APB Opinion No. 25, and its related implementation guidance. SFAS No. 123R addresses all forms of share based payment ("SBP") awards including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS No. 123R, SBP awards will result in a charge to operations that will be measured at fair value on the awards grant date, based on the estimated number of awards expected to vest over the service period.

Prior to the Company's adoption of SFAS No. 123R, SFAS No.123 required that the Company provide pro-forma information regarding net earnings and net earnings per share as if the Company's stock based awards had been determined in accordance with with the fair value method prescribed therein. The Company had previously adopted the disclosure portion of SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure," requiring quarterly SFAS No.123 pro-forma disclosure. The pro-forma charge for compensation cost related to stock-based awards granted was recognized over the service period. For stock options, the service period represents the period of time between the date of grant and the date each option becomes exercisable without consideration of acceleration provisions (e.g., retirement, change of control, etc.)

No disclosure has been presented for the three months ended March 31, 2005, due to the fact that all of the employee stock options were fully vested as of December 31, 2004 and the Company did not grant any options during the three months ended March 31, 2005.

NOTE 3 - GOING CONCERN

The accompanying 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 $25,070,000 and has a working capital deficiency of approximately $3,266,000 at March 31, 2006. 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 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 Financial Accounting Standards Board ("FASB") issued SFAS No. 155, which is an amendment of SFAS No. 133 and 140. This Statement; a) permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, b) clarifies which interest-only strip and principal-only strip are not subject to the requirements of SFAS 133, c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, e) amends SFAS 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management is evaluating if this Statement will have a significant impact on the financial statements of the Company.

In March 2006, the FASB issued SFAS No. 156, which amends FASB Statement No. 140. This Statement establishes, among other things, the accounting for all separately recognized servicing assets and servicing liabilities. This Statement amends SFAS No. 140 to require that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. This Statement permits, but does not require, the subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value. An entity that uses derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity can elect subsequent fair value measurement to account for its separately recognized servicing assets and servicing liabilities. By electing that option, an entity may simplify its accounting because this Statement permits income statement recognition of the potential offsetting changes in fair value of those servicing assets and servicing liabilities and derivative instruments in the same accounting period. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes that the adoption of this Statement will not have a significant impact on its financial statements.

NOTE 5 - CONVERTIBLE PROMISSORY NOTES

In November 2005, the Company entered into a Convertible Promissory Note agreement for $250,000 which included 430,000 warrants, which are exercisable at $0.14 per share and have a life of three years. The warrants carry a cashless exercise provision. The Convertible Promissory Note bears interest at a rate of 8% per annum and matured in March 2006.

The note included certain conversion features as follows:

o convertible at any time after the maturity date, at the option of the holder,

o convertible at 85% of the average of the three 3 lowest closing bid prices for the common stock, for the ten trading days ending on the trading day immediately before the conversion date.

The Convertible Promissory Note agreement required the Company to file a registration statement no later than sixty business days from the date of the agreement and no less than the amount of subscribed shares, and to cause the registration statement relating to the registrable securities to become effective the earlier of five business days after notice from the Securities and Exchange Commission that the registration statement may be declared effective, or (b) one hundred twenty days.

The Convertible Promissory Note agreement included a liquidated damages clause, which stipulates if the registration statement is not filed by the filing date or declared effective by the effective date, then upon failure of either event the subscriber shall be entitled to liquidated damages, payable in cash, in the sum of one percent (1%) of the principal amount of the Note:

a. for each 30 day period after the filing date that transpires until the date that the Company files the registration statement, and

b. for each 30 day period after the effective date that transpires until such date as the registration statement is declared effective.

The gross proceeds of $250,000 were recorded net of a discount of $188,000. The debt discount consisted of $47,200 related to the warrants and $140,800 related to the embedded conversion option. The warrants and the embedded conversion option were accounted for under EITF issue No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" and EITF 05-4, view A "The effect of a Liquidated Damages Clause on a Freestanding Financial Instrument." Due to certain factors and the liquidated damage provision in the registration rights agreement, the Company determined that the embedded conversion option and the warrants are derivative liabilities. Accordingly, the warrants and the embedded conversion option will be marked to market through earnings at the end of each reporting period. Due to the fact that the registration statement became effective on January 30, 2006, the value of the registration rights was deemed to be de minimis. The warrants and the conversion option are valued using the Black-Scholes valuation model. For the period ended March 31, 2006, the Company reflected a loss of $114,200 representing the change in the value of the warrants and conversion option. The Company charged to interest expense $112,800 for the remaining debt discount.

During the period ended March 31, 2006, the Company issued 438,750 shares of common stock for the partial settlement of $48,087 of the debt and $398 of accrued interest.

This Convertible Promissory Note is secured by 4,000,000 shares held by an officer of the Company.

Subsequent to March 31, 2006, the Company issued 2,573,762 shares of common stock for the settlement of the remaining $201,913 principal and accrued interest of $6,064.

NOTE 6 - NET INCOME (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 and convertible preferred stock. 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 options, warrants and conversion of preferred stock for the three months ended March 31, 2006 and 2005 were 11,270,107 and 31,325,702, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its administrative facilities, located in Glen Head, New York on a month-to-month basis.

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NOTE 8 - COMMON STOCK ISSUED

Cash

During the three months ended March 31, 2006, the Company raised $250,000 through the sale of 3,600,000 shares of common stock.

Services

During the three months ended March 31, 2006, the Company issued 250,000 shares of common stock for services for a value of $15,000.

Debt

During the three months ended March 31, 2006, the Company issued 438,785 shares of common stock to pay-down $48,485 of its debt and accrued interest.

NOTE 9- MAJOR CUSTOMERS/CREDIT RISK

During the three months ended March 31, 2006, the Company sold two units to one customer and recognized revenues of $115,000. During the three month period ended March 31, 2005, the Company sold five units to two customers and recognized revenues of $260,000.

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.

NOTE 10- SUBSEQUENT EVENTS

Subsequent to March 31, 2006, the Company converted 41,868 shares of Convertible Series F Preferred Stock to 1,866,720 shares of common stock.

In May 2006, the Company issued 4,219,230 shares of common stock for proceeds of $280,000.

On May 8, the Company entered into a forbearance agreement with Occidental Engineering Consultants Limited pursuant to which the Company is obligated to issue 3,000,000 million shares of common stock to be applied to accrued interest and costs and then to principal due under certain secured promissory note, dated May 4, 2001, in the original principal amount of $400,000. The value of such shares shall be determined in accordance with the terms of the forbearance agreement and is dependent upon the effective date of the registration statement covering the resale of such shares.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 24. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent to the Registrant. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise. Section 5.1 of the Registrant's amended and restated bylaws and Section 8 of our restated certificate of incorporation provide that the Registrant shall indemnify its directors and officers, and may indemnify its employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions, or (iv) for any transaction from which the director derived an improper personal benefit. The Registrant's certificate of incorporation provides for such limitation of liability.

The Registrant maintains standard policies of insurance under which coverage is provided (a) to its directors, officers, employees and other agents against loss rising from claims made by reason of breach of duty or other wrongful act, and (b) to the Registrant with respect to payments which may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

Item 25. Other Expenses of Issuance and Distribution.

The following table sets forth the various expenses (other than selling commissions and other fees to be paid to the underwriters) which will be paid by the Registrant in connection with the issuance and distribution of the securities being registered. With the exception of the Securities and Exchange Commission ("SEC") registration fee, all amounts shown are estimates.

SEC registration fee..................................	$ 199.46
Legal fees and expenses................................	10,000.00
Accounting fees and expenses...........................	5,000.00
Miscellaneous expenses.................................	4,800.54
Total....................................	$ 20,000.00

Item 26. Recent Sales of Unregistered Securities.

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
Barry Moscowitz	$1.00	$47,500	Series F Preferred	06/13/200
Dwight Grader	$1.00	$50,000	Series F Preferred	07/17/200
Barry Moscowitz	$1.00	$27,500	Series F Preferred	07/17/200
Resnick & Company	$1.00	Comp. - Accounting Svcs. - $26,500	Series F Preferred	07/17/200
The Funding Group	$1.00	Interest and Late Fees - $14,000	Series F Preferred	07/17/200
Michael Manfredo	$1.00	$25,000	Series F Preferred	08/04/200
Jeffrey Power	$1.00	$50,000	Series F Preferred	08/04/200
Michael Manfredo	$1.00	$25,000	Series F Preferred	08/22/200

Patrick Brady	$1.00	$15,000	Series F Preferred	08/22/200
Peter Hall	$1.00	$15,000	Series F Preferred	08/22/200
Michael Davis	$1.00	$30,000	Series F Preferred	08/22/200
Richard Van Grouw	$1.00	$20,000	Series F Preferred	08/22/200
Barnett Fine	$1.00	$20,000	Series F Preferred	08/22/200
Alliance Trade	$1.00	Fee for Design Svc. - $1,000	Series F Preferred	08/22/200
Robert Swinton	$1.00	Fee for Mktg Svc. - $56,250	Series F Preferred	08/22/200
Douglas Davis	$1.00	Fee for Manufacturing/Engin. Svc. - $55,000	Series F Preferred	09/18/200

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
Raimond Irni	$1.00	Commission - $17,500	Series F Preferred	09/18/200
Nathan Lis	$1.00	$20,000	Series F Preferred	09/18/200
David Rappaport	$1.00	$7,500	Series F Preferred	09/18/200
David Van Der Velde	$1.00	$1,500	Series F Preferred	09/18/200
Abraham Hershkowitz	$1.00	$1,500	Series F Preferred	09/18/200
Harold Tishler	$1.00	$3,000	Series F Preferred	09/18/200
Leonard Fuchs	$1.00	$15,000	Series F Preferred	09/18/200
Mike Majerovic	$1.00	Commission - $1,750	Series F	09/18/200

			Preferred	
WWD Trading Int'l	$1.00	$100,000	Series F Preferred	10/17/200
David Fried	$1.00	$850	Series F Preferred	10/17/200
David Schor	$1.00	$2,075	Series F Preferred	10/17/200
Peter Hoffman	$1.00	$2,075	Series F Preferred	10/17/200
Peter Tingus	$1.00	Comp. Fee Editing Svc. - $1,000	Series F Preferred	10/17/200
Nicholas Anagnastopoulos	$1.00	$12,750	Series F Preferred	11/11/200
Haralambos Kostopoulos	$1.00	$4,250	Series F Preferred	11/11/200
Jonathan McDermott	$1.00	$4,000	Series F Preferred	11/11/200
Robert Kaszovits	$1.00	$20,000	Series F Preferred	12/10/200

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Purchaser	Price Per Share	Purchase Amount	Class	Date of P
Seymour Yanovsky	$1.00	$4,040	Series F Preferred	12/10/200
Daniel Alkobi	$1.00	$1,155	Series F Preferred	12/10/200
Yacob Alcoby	$1.00	$1,155	Series F Preferred	12/10/200
Yair Matan	$1.00	$3,465	Series F Preferred	12/10/200
Abraham Hershkovitz	$1.00	$1,735	Series F Preferred	12/10/200
David Rappaport	$1.00	$5,775	Series F Preferred	12/10/200
Leonard Fuchs	$1.00	$4,620	Series F	12/10/200

			Preferred	
Carlos Correas	$1.00	$1,155	Series F Preferred	12/10/200
Mike Liebhard	$1.00	$575	Series F Preferred	12/10/200
Mike Majerovic	$1.00	$3,695	Series F Preferred	12/10/200
Dror Magori	$1.00	$865	Series F Preferred	12/10/200
Chaim Majerovic	$1.00	$230	Series F Preferred	12/10/200
Eligio Majerovic	$1.00	$8,000	Series F Preferred	12/10/200
Marshall Sterman	$1.00	Compensation Board Svc. - $25,000	Series F Preferred	12/10/200
Olshan Grundman	$1.00	Compensation Legal Services - $16,000	Series F Preferred	12/10/200
Moneesh Bakshi	$1.00	Translating Service - $200	Series F Preferred	12/10/200
Mohammad Mamaun	$1.00	Translating Service -$200	Series F Preferred	12/10/200

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
Leonard Cohen	$1.00	$50,000	Series F Preferred	12/30/200
Kollel Metzioynim Lhoroah	$1.00	$12,000	Series F Preferred	12/30/200
Gregory Simonelli	$1.00	$7,000	Series F Preferred	12/30/200
Jaime Asaro	$1.00	$7,000	Series F Preferred	12/30/200
Jack Neiman	$1.00	$3,500	Series F Preferred	12/30/200
Harris Tunick	$1.00	$3,500	Series F	12/30/200

			Preferred	
Gian Ciarniello	$1.00	$1,400	Series F Preferred	12/30/200
Barry Moscowitz	$1.00	Commission - $6,000	Series F Preferred	12/30/200
Barnett Fine	$1.00	$7,000	Series F Preferred	01/06/200
Howard Fine	$1.00	$1,400	Series F Preferred	01/06/200
Haichel Esther	$1.00	$60,000	Series F Preferred	01/06/200
The Resnick Group	$1.00	Fee for annual acctg. svc. -$26,000	Series F Preferred	01/06/200
Peter Hoffman	$1.00	$3,750	Series F Preferred	01/15/200
Rafael Moas	$1.00	$3,750	Series F Preferred	01/15/200
David Fried	$1.00	$475	Series F Preferred	01/15/200
Dror Magori	$1.00	$475	Series F Preferred	01/15/200
Florence Gut	$1.00	$825	Series F Preferred	01/15/200

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
Dror Magori	$1.00	$1,850	Series F Preferred	02/05/200
Meryl Hagler	$1.00	$3,575	Series F Preferred	02/05/200
David Fried	$1.00	$3,575	Series F Preferred	02/05/200
Ezra Moas	$1.00	$1,000	Series F Preferred	02/05/200
Morris Sabbach	$1.00	$1,000	Series F	02/05/200

			Preferred	
Jac Steinberger	$1.00	$3,075	Series F Preferred	02/05/200
Abraham Rotban	$1.00	$1,855	Series F Preferred	02/05/200
Raimond Irni	$1.00	Compensation Commission - $4,000	Series F Preferred	02/05/200
Arnold Fonseca	$1.00	$50,000	Series F Preferred	03/30/200
Eliezer Ely	$1.00	$2,480	Series F Preferred	03/30/200
Moische Koffman	$1.00	$2,325	Series F Preferred	03/30/200
Harold Friedman	$1.00	$775	Series F Preferred	03/30/200
Aaron Groner	$1.00	$310	Series F Preferred	03/30/200
Abraham Kiplinsky	$1.00	$775	Series F Preferred	03/30/200
Annette Hunter	$1.00	$50,000	Series F Preferred	03/30/200
Eugenie Trott	$1.00	$200,000	Series F Preferred	03/30/200
Marshall Sterman	$1.00	Compensation - $20,000	Series F Preferred	03/30/200

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
John. J. Clarke	$1.00	Compensation - $20,000	Series F Preferred	03/30/200
C. Trade Inc.	$1.00	Compensation - $40,000	Series F Preferred	03/30/200
A. Elizier	$1.00	Comp. Web design - $3,500	Series F Preferred	03/30/200
E. McInerney	$1.00	Commission - $20,000	Series F	03/30/200

			Preferred	
T. Mendirotta	$1.00	Commission - $25,000	Series F Preferred	03/30/200
Haicel Esther	$1.00	$12,500	Series F Preferred	05/20/04
Philip Koch	$0.1475	$885	Common	08/04/200
David Fried	$0.1475	$5,530	Common	08/04/200
Harold Tishler	$0.1475	$3,685	Common	08/04/200
David Rappaport	$0.1475	$9,215	Common	08/04/200
Harold Jacobowitz	$0.1475	$1,685	Common	08/04/200
Michael Majerovic	$0.1475	$1,150	Common	08/04/200
Segoes Trust LTD	$0.08	$72,000	Common	08/06/200
Richard Barsom	$0.12	Comp. Marketing Svc. - $6,000	Common	08/06/200
Marshall Sterman	$0.12	Comp. Fin'l Consult. - $24,000	Common	08/06/200
Max Ollech	$0.08	$15,400	Common	08/20/200
Rafael Moas	$0.08	$5,800	Common	08/20/200
Dror Magori	$0.08	$800	Common	08/20/200
Morris Sabbach	$0.08	$800	Common	08/20/200
Randy Chalom	$0.08	$1,600	Common	08/20/200
Ezra Moas	$0.08	$800	Common	08/20/200

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
Ezra Mossieri	$0.08	$800	Common	08/20/200
Kellel Metzioynim	$0.08	$34,600	Common	08/20/200
George Feinsod	$0.10	Comp. Tax Prep Fees - $10,000	Common	08/20/200
Samaritan Group Intl.	$0.05	Fee for UN Admission	Common	09/08/200

		- $25,000		
IMSCO/ F. Weston	$0.05	Fee for UN Admission - $50,000	Common	09/08/200
Ellis International Trust	$0.075	$50,000	Common	09/17/200
Max Ollech	$0.08	$4,000	Common	09/17/200
WW Trading Int'l	$0.075	Comp. Commissions - $15,000	Common	10/06/200
Annette Hunter	$0.075	Comp. Commissions - $7,500	Common	10/06/200
Rudolf Schindler	$0.10	Comp. Accrued Payroll - $31,110	Common	10/29/200
WW Trading Int'l	$0.08	$25,000	Common	10/29/200
Raimind Irni	$0.05	Commission - $1,000	Common	11/15/200
Nachum Lis	$0.05	$40,000	Common	11/16/200
Lyons Capital Partners	$0.08	$50,000	Common	11/16/200
Jason Lyons	$0.08	Commission - $5,000	Common	11/24/200
Richard Barsom	$0.08	Comp. Mktg Services - $12,000	Common	11/24/200
Rudolf W. Schindler	$0.155	Comp./Accrued Payroll - $15,500	Common	12/17/200
Leonard Cohen	$0.10	$35,000	Common	12/17/200
Haichel Esther	$0.10	$40,000	Common	12/17/200
Lyons Capital Group LLC	$0.05	Commission - $5,000	Common	3/21/2005
Leonard Cohen	$0.05	$10,000	Common	3/21/2005

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
The Resnick Druckman Group LLC	$0.10	Comp. for Accounting Fees - $13,000	Common	3/21/2005
Segoes Trading	$0.08	$40,000	Common	4/18/05
Haichel Esther	$.05	Commission - $10,000	Common	5/12/05

WWD Intl. Trading	$0.08	$25,000	Common	7/6/05
LMWW FBO J. Kyle Bass IRA	$0.10	$20.000	Common	7/6/05
Hayman Partners	$0.10	$30,000	Common	7/6/05
Ian Wallace	$0.10	$25,000	Common	7/7/05
H. Partners	$0.10	$25,000	Common	7/8/05
Steven Kessler	$0.07	$25,000	Common	7/11/05
4 Clean Waters Ltd	$0.07	Reduction of note payable - $40,000	Common	7/11/05
Samuel Glass	$0.07	$25,000	Common	7/11/05
WWD Trading Intl.	$0.07	$30,000	Common	8/2/05
William Duncan	$0.07	$16,000	Common	8/4/05
Salvatore LoBue	$0.07	$27,625	Common	10/21/05
Anthony Giambrone	$0.07	$48,000	Common	10/21/05
Roger Borsett	$0.06	Commission - $7,500	Common	10/21/05
Resnick Druckman Group LLC	$0.05	Comp. for Accounting Fees - $6,625	Common	10/21/05
Occidental Engr. Consult.	N/A	Defer demand for note payable	Common	11/1/05
Salvatore LoBue	$0.07	$24,335	Common	11/08/05
Simplified Employee Pension FBO Laura A. Fonseca	$0.075	$35,000	Common	11/23/05
James K. Tse	$0.065	$25,000	Common	11/29/05

Purchaser	Price Per Share	Purchase Amount	Class	Date of P
KML	$0.05	$30,000	Common	12/14/05
Max Ollech	$0.05	$50,000	Common	12/14/05
Raimond Irni	$0.05	Commission - $7,500	Common	12/14/05
Southridge Partners LP	$0.11	$48,485	Common	2/7/05

Robert Kaszovitz	$0.07	$91,000	Common	3/20/06
Abraham Kaszovitz	$0.07	$17,500	Common	3/20/06
Isaac Kaszovitz	$0.07	$17,500	Common	3/20/06
Jacob Kaszovitz	$0.07	$17,500	Common	3/20/06
Akiva Kaszovitz	$0.07	$17,500	Common	3/20/06
Chumie Kaszovitz	$0.07	$17,500	Common	3/20/06
Schaul Neumann	$0.07	$17,500	Common	3/20/06
Max Ollech	$0.07	$56,000	Common	3/20/06
Resnick Druckman Group	$0.06	Comp. for Accounting Fees - $15,000	Common	3/20/06
Southridge Partners LP	$0.08	$51,403	Common	3/24/06
Southridge Partners LP	$0.08	$156,574	Common	4/5/06
Robert Kaszovitz	$0.065	$90,000	Common	5/5/06
Max Ollech	$0.065	$90,000	Common	5/5/06
Shaul Kochan	$0.10	$100,000	Common	5/5/06
Raimond Irni	$0.067	Commission - $30,000	Common	5/5/06

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 there under. These shares were offered to less than 35 "non-accredited" investors and were purchased for investment purposes with no view to resale.

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Item 27. 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.
5.1*	Opinion of Olshan Grundman Frome Rosenzweig & Wolosky LLP
10.1	Mutual Settlement Agreement and General Release, dated June 20, 2002, by and between the Company; K. Thomas and Callaway Decoster, as husband and wife; K. Thomas Decoster, individually; Michael P. and Roberta S. Gaudette, as husband and wife; Dominic M. Strazzulla; the Felix A. Hertzka Estate; Claudette L. Gelfand and the Claudette L. Gelfand Revocable Trust; Catherine C. Griffin; Michael B. and Diane L. Hayden, as husband and wife; Alexander Harris; Holly O.

Harris; and Joseph R. Fichtl and the Joseph R. Fichtl 1995 Trust - Incorporated herein by reference to Exhibit 10.1 to the Form 10-KSB/A filed April 15, 2004.

Number	Description of Exhibit
10.2	Addendum to Settlement Agreement, dated June 20, 2002, by and between the Company; K. Thomas and Callaway Decoster, as husband and wife; K. Thomas Decoster, individually; Michael P. and Roberta S. Gaudette, as husband and wife; Dominic M. Strazzulla; the Felix A. Hertzka Estate; Claudette L. Gelfand and the Claudette L. Gelfand Revocable Trust; Catherine C. Griffin; Michael B. and Diane L. Hayden, as husband and wife; Alexander Harris; Holly O. Harris; and Joseph R. Fichtl and the Joseph R. Fichtl 1995 Trust Trust - Incorporated herein by reference to Exhibit 10.2 to the Form 10-KSB/A filed April 15, 2004.
10.3	Subdistributorship Agreement dated May 18, 2001 between 4 Clean Waters LTD. and the Company - Incorporated herein by reference to Exhibit 10.2 to the Form 10-KSB/A filed November 17, 2003.
10.4	Convertible Promissory Note dated November 17, 2000 to 4 Clean - Lindh Joint Venture by the Company - Incorporated herein by reference to Exhibit 10.1 to the Form 10-KSB/A filed November 21, 2004.
10.5	Preliminary Agreement, dated September 8, 2004 by, and among, Water Chef, Inc., Samaritan Group International, and International Multiracial Shared Cultural Organization (IMSCO) - Incorporated herein by reference to Exhibit 10.1 to the Form 10-QSB filed November 17, 2004.
10.6	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.
10.7	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.
10.8	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.
10.9	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.
10.10*	Forbearance Agreement dated as of May 8, 2006, by and

	between Occidental Engineering Consultants Limited and Water Chef, Inc.
10.11*	Registration Rights Agreement dated as of May 8, 2006, by and between Occidental Engineering Consultants Limited and WaterChef, Inc.
23.1**	Consent of Marcum & Kliegman LLP
23.2*	Consent of Olshan Grundman Frome Rosenzweig & Wolosky LLP (contained in Exhibit 5.1).
24.1*	Powers of Attorney

* previously filed
** filed herewith

Item 28. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (ss230.424(b) of this chapter)if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) Include any additional or changed material information on the plan distribution.

NOTE: Small business issuers do not need to give the statements in paragraphs (a)(1)(i) and (a)(1)(ii) of this Item if the registration statement is on Form S-3 or Form S-8 (ss239.13 or 239.16b of this chapter), and the information required to be included in a post-effective amendment is incorporated by reference from periodic reports filed by the small business issuer under the Exchange Act.

(2) For determining liability under the Securities Act, treat each

post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File of a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and has authorized this registration statement to be signed on its behalf by the undersigned, in the City of New York, State of New York, on June 1, 2006.

WATER CHEF, INC.

By: /s/ David A. Conway

David A. Conway
Chairman of the Board,
President,
Chief Executive Officer and
Chief Financial Officer

In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date

/s/ David A. Conway ----------------------------- David A. Conway	Chairman of the Board, President, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)	June 1, 2006
/s/ * ----------------------------- Marshall S. Sterman	Director	June 1, 2006
/s/ * ----------------------------- John J. Clarke, Jr.	Director	June 1, 2006

* By: /s/ Dave Conway

Dave Conway
Attorney-in-fact