WATER CHEF INC
Form 424B3
April 25, 2006

Rule 424(b)(3)
Registration Statement 333-122252

PROSPECTUS SUPPLEMENT

DATED APRIL 25, 2006

TO

PROSPECTUS DATED MAY 25, 2005

WATER CHEF, INC.

This Prospectus Supplement, dated April 25, 2006 (the "Supplement No. 1"), supplements that certain Prospectus dated May 25, 2005 (the "Prospectus") and should be read in conjunction with the Prospectus.

On August 15, 2005, we filed with the Securities and Exchange Commission (the "SEC") the attached Quarterly Report on Form 10-QSB for the period ended June 30, 2005 and on November 8, 2005 we filed with the SEC the attached Quarterly Report on Form 10-QSB for the period ended September 30, 2005. On March 22, 2006, we filed with the SEC the attached Annual Report on Form 10-KSB for the year ended December 31, 2005. The attached information supplements and supersedes, in part, the information contained in the Prospectus.

All provisions of the Prospectus not specifically amended by this Supplement remain in full force and effect.

Please insert this Supplement No. 1 into your Prospectus and retain both this Supplement and the Prospectus for future reference. If you would like to receive a copy of the Prospectus, as supplemented to date, please write to Water Chef, Inc. at 1007 Glen Cove Avenue, Suite 1, Glen Head, NY 11545 or call (516) 656-0059.

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

Form 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005

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

For the transition period from to

Commission file number 1-09478

WATER CHEF, INC.

(Exact name of small business issuer as specified in it charter)

Delaware	86-0515678
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1007 Glen Cove Avenue, Suite 1, Glen Head, New York 11545

(Address of principal executive offices)

516-656-0059

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

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

OUTSTANDING AS OF August 12, 2005

CLASS	Common
Par value $0.001 per share	163,922,112

WATER CHEF, INC.

INDEX

WATER CHEF, INC.
(A Development-Stage Company Commencing January 1, 2002)
CONDENSED BALANCE SHEET
AT JUNE 30, 2005
(UNAUDITED)

ASSETS

CURRENT ASSETS:	
Cash	$ 992
Inventory	30,000
Prepaid expenses	10,294
TOTAL CURRENT ASSETS	41,286
OTHER ASSETS:	
Patents and trademarks - net of accumulated amortization of $7,871	18,184
Other assets	3,162
TOTAL OTHER ASSETS	21,346
TOTAL ASSETS	$ 62,632

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Accounts payable (including related party payable of $18,875)	$ 232,869
Accrued expenses and other current liabilities	1,245,188
Notes payable (including accrued interest of $512,635)	1,195,857
Accrued dividends payable	91,003
Customer deposits	115,000
TOTAL CURRENT LIABILITIES	2,879,917
LONG-TERM LIABILITIES:	
Loans payable to stockholder (including accrued interest of $117,155)	489,936
TOTAL LIABILITIES	3,369,853
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIENCY:	
Preferred stock - $.001 par value; 10,000,000 shares authorized; 524,423 shares issued and outstanding, (liquidation preference $1,112,250)	525
Common stock - $.001 par value; 190,000,000 shares authorized; 160,899,727 shares issued and 160,895,327 shares outstanding	160,896
Additional paid-in capital	20,386,429
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	(9,317,707)
TOTAL STOCKHOLDERS' DEFICIENCY	(3,307,221)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 62,632

See notes to condensed financial statements.

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

For the Three Months Ended June 30,		For the Si
2005	2004	2005

SALES	$ --	$ --	$ 260,000
COST OF SALES	21,000	24,000	21,000
GROSS (LOSS) PROFIT	(21,000)	(24,000)	239,000
SELLING, GENERAL AND ADMINISTRATIVE - including stock based compensation of $0, and $0 for the three months ended June 30, 2005 and 2004 and $18,000 and $182,387 for the six months ended June 30, 2005 and 2004, and $741,563 for the period January 1, 2002 to June 30, 2005, respectively	297,227	270,974	645,206
NON-DILUTION AGREEMENT TERMINATION COST	--	(522,339)	--
INTEREST EXPENSE (Including interest expense to related party of $5,970 and $11,930 for the three and six months ended June 30, 2005 and 2004, respectively and $83,538 for the period January 1, 2002 to June 30, 2005	37,557	37,557	75,114
LOSS ON SETTLEMENT OF DEBT	--	2,313,716	--
FINANCING COST - EXTENSION OF WARRANTS	74,700	94,151	74,700
STOCK APPRECIATION RIGHTS - REDUCTION IN VALUE	--	--	(121,340
NET LOSS	(430,484)	(2,218,059)	(434,680
DEEMED DIVIDEND ON PREFERRED STOCK	--	(2,072,296)	--
PREFERRED STOCK DIVIDENDS	(42,758)	(70,320)	(86,643
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (473,242)	$ (4,360,675)	$ (521,323
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.00)	$ (0.04)	$ (0.00
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	160,077,510	102,347,964	158,595,814

See notes to condensed financial statements.

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

	Preferred Stock		Common Stoc	
	Shares	Amount	Shares	
FOR THE SIX MONTHS ENDED JUNE 30, 2005				
BALANCE - JANUARY 1, 2005	614,413	$ 615	155,885,727	$
Proceeds from sale of common stock ($0.05 per share) March 21, 2005	--	--	200,000	
Preferred stock converted to common stock During the quarter ended March 31, 2005	(55,970)	(56)	2,518,800	
Extension of 1,666,667 warrants June 7, 2005	--	--	--	
Proceeds from sale of common stock				
($0.06 per share) May 12, 2005	--	--	500,000	
($0.05 per share) May 12, 2005	--	--	200,000	
Common stock issued for services ($0.05-$0.10 Per share) March 21, 2005	--	--	230,000	
Preferred stock converted to common stock during the quarter ended June 30, 2005	(34,020)	(34)	1,360,800	
Preferred stock dividend	--	--	--	
Net loss	--	--	--	
BALANCE - JUNE 30, 2005	524,423	$ 525	160,895,327	$

See notes to condensed financial statements.

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

	Treasury Stock -at cost	Deficit Accumulated Through December 31, 2001	Deficit Accumulated During Development Stage	St D
FOR THE SIX MONTHS ENDED JUNE 30, 2005				
BALANCE - JANUARY 1, 2005	$ (5,768)	$(14,531,596)	$ (8,883,027)	$

Proceeds from sale of common stock ($0.05 per share) March 21, 2005	--	--	--	
Preferred stock converted to common stock during the quarter ended March 31, 2005	--	--	--	
Extension of 1,666,667 warrants June 7, 2005	--	--	--	
Proceeds from sale of common stock				
($0.05 per share) May 12, 2005	--	--	--	
($0.06 per share) May 12, 2005	--	--	--	
Common stock issued for services ($0.05-$0.10 per share)March 21, 2005	--	--	--	
Preferred stock converted to common stock During the quarter ended June 30, 2005	--	--	--	
Preferred stock dividend	--	--	--	
Net loss	--	--	(434,680)	
BALANCE - JUNE 30, 2005	$ (5,768)	$(14,531,596)	$ (9,317,707)	$

See notes to condensed financial statements.

4

WATER CHEF, INC.
(A Development-Stage Company Commencing January 1, 2002)
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30, 2005	For the Six Months Ended June 30, 2004	For the Period January 1, 2002 to June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (434,680)	$(2,812,761)	$(9,317,707)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of patents	927	927	6,489
Non-cash stock-based compensation	18,000	182,387	741,563
Non-dilution agreement termination cost	--	(223,860)	2,462,453
Financing cost - warrant extension	74,700	94,151	168,851
Loss on settlement of debt	--	2,313,716	2,519,866
Inventory reserve	--	--	159,250
Write-off of stock subscription receivable	--	--	21,800
Changes in assets and liabilities:			
Inventory	(30,000)	13,250	(30,000)

Prepaid expenses	6,819	(41,912)	46,206
Accounts payable, accrued expenses, accrued dividends and customer deposits	213,494	60,389	1,263,283
NET CASH USED IN OPERATING ACTIVITIES	(150,740)	(413,713)	(1,957,946)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock subscription receivable	20,000	--	65,700
Proceeds from sale of preferred stock	--	412,756	1,130,127
Proceeds from sale of common stock	50,000	--	527,600
Proceeds from sale of common stock to be issued	--	--	200,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	70,000	412,756	1,923,427
NET DECREASE IN CASH	(80,740)	(957)	(34,519)
CASH AT BEGINNING OF PERIOD	81,732	102,831	35,511
CASH AT END OF PERIOD	$ 992	$ 101,874	$ 992

See notes to condensed financial statements.

WATERCHEF, 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 ACCOUNTING POLICIES

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

The operating results for the six-month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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 April 6, 2005, for the year ended December 31, 2004.

DEVELOPMENT STAGE COMPANY
The Company is in the development stage as defined by Statement of Financial Accounting Standards ("SFAS") Statement No. 7, "Accounting and Reporting for Development Stage Companies." To date, the Company has generated limited sales and has devoted its efforts primarily to developing its products, implementing its business and marketing strategy and raising working capital through equity financing or short-term borrowings.

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

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 will continue to account for stock-based compensation according to the Accounting Principles Board ("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 provisions of SFAS No.123 had been applied for the periods ended June 30, 2005 and 2004 as follows:

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months En June 30, 2005	
Net loss applicable to common stockholder as reported	$ (473,242)	$(4,360,675)	$ (521,323)	$(
Add:				
Stock-based employee compensation adjustment, included in reported net loss	--	--	--	
Less:				
Stock-based employee compensation cost net of tax effect under fair-value accounting	--	44,656	--	
Pro-forma net loss under fair value method	$ (473,242)	$(4,405,331)	$ (521,323)	$(
Loss per share - basic and diluted, as reported	$ (0.00)	$ (0.04)	$ (0.00)	$
Pro-forma loss per share - basic and diluted	$ (0.00)	$ (0.04)	$ (0.00)	$

WATERCHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3 - GOING CONCERN

The accompanying interim 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 inception of approximately $23,849,000 and has a working capital deficiency of approximately $2,839,000 at June 30, 2005. 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 May 2005, the FASB issued SFAS 154--Accounting Changes and 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 requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principle. It also 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 corrections of errors made in fiscal years beginning after December 15, 2005. Management is evaluating the impact of this pronouncement on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment." This statement is a revision of SFAS 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 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 result in a cost that will be measured at fair value on the awards' grant dates, 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 interim or annual reporting period that begins after December 15, 2005. The adoption of this pronouncement is not expected to have a material effect on the Company's financial statements.

NOTE 5 - NET LOSS PER SHARE OF COMMON STOCK

Basic loss per share was computed using the weighted average number of outstanding common shares. Diluted loss per share includes the effect of dilutive common stock equivalents from the assumed exercise of options, warrants 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 six months ended June 30, 2005 and 2004 were 30,638,912 and 46,863,796, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Leases

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

NOTE 7 - COMMON STOCK ISSUED

Cash

During the six months ended June 30, 2005, the Company raised $50,000 through the sale of 900,000 shares of common stock.

Services

During the six months ended June 30, 2005, the Company issued 230,000 shares of common stock for services for a value of $18,000.

Conversion of preferred stock into common stock

During the six months ended June 30, 2005, the Company issued to various parties 3,879,600 shares of common stock in connection with the conversion of preferred stock.

Extension of warrants

During the quarter ended June 30, 2005, the Company extended the life of 1,666,667 warrants for a period of 12 months. The warrants will expire in June 2006. The Company recorded a finance charge of $74,700 for the three and six months ended June 30, 2005.

NOTE 8- MAJOR CUSTOMERS / CREDIT RISK

During the six month period ended June 30, 2005, the Company sold five units to two customers and recognized revenues of $260,000. During the six month period ended June 30, 2004, the Company sold one unit to one customer and recognized revenues of $56,290. During the three month period June 30, 2005 and 2004, there were no units sold.

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. At June 30, 2005 the Company did not have cash balances on deposit that exceeded the federally insured limits.

NOTE 9- SUBSEQUENT EVENTS

- o Subsequent to June 30, 2005, the Company issued 2,455,357 shares of restricted common stock for gross proceeds of $205,000. The restricted common stock was issued to various parties at an average share price of $0.09 per share.

- o Subsequent to June 30, 2005, the Company issued 571,428 shares of restricted common stock for the settlement of approximately $40,000 of notes payable.

ITEM 2 - MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend for the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding the Company's expected financial position, business and financing plans are forward-looking statements. Such forward-looking statements are identified by use of forward-looking words such as "anticipates," "believes," "plans," "estimates," "expects," and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, technology developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

Introduction

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

Results of Operations

Revenue for the six months ended June 30, 2005 and June 30, 2004 was $260,000 and $56,290, respectively. During the six months ended June 30, 2005, the Company recognized the sale of five PureSafe Water Station Systems. Four of these systems are to be used 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 of $115,000 during the first three months of 2005 for relief effort systems that will be shipped in 2005.

Cost of sales for the six month periods ended June 30, 2005 and June 30, 2004 were $21,000 and $53,250 respectively. The costs of the units sold during 2005 were previously written off. An analysis of the components of cost of sales in the 2005 and 2004 periods follows:

Cost of Sales Period	Product CGS	Rent and Overhead Payments to Manufacturer	Total
For the six months ended June 30, 2005	$ --	$ 21,000	$ 21,000
For the six months ended June 30, 2004	$13,250	$ 40,000	$ 53,250

Selling, general and administrative expenses for the six months ended June 30, 2005 were $645,206, compared to $556,680 for the six months ended June 30, 2004, an increase of 16% primarily caused by an increase in commissions associated with the sales of PureSafe Water Station Systems as described above. During the quarter ended June 30, 2005, the Company extended the life of 1,666,667 warrants for a period of 12 months. Their warrants will expire in June 2006. The Company recorded a finance charge of $74,700 for the three and six months ended June 30, 2005.

The net loss for the six months ended June 30, 2005 was $434,680 compared to $2,812,761 in the same period ended June 30, 2004.

Liquidity and Capital Resources

At June 30, 2005, the Company had a working capital deficiency of approximately $2,839,000. In addition, the Company continues to incur recurring losses from operations and has an accumulated deficit since inception of approximately $23,849,000. The accompanying financial statements have been prepared assuming that that the Company will continue as a going concern. 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, raising additional capital through future issuances of stock and/or equity, and finding sufficient profitable markets for its products to generate sufficient cash to meet its business obligations. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its product, marketing plan and distribution network.

The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Recent Accounting Standards

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 154--"Accounting Changes and Error Corrections"--a replacement of Accounting Principles Board ("APB") Opinion No. 20 and SFAS 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 requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principle. It also 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 corrections of errors made in fiscal years beginning after December 15, 2005. Management is evaluating the impact of this pronouncement on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment." This statement is a revision of SFAS 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 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 result in a cost that will be measured at fair value on the awards' grant dates, 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 interim or annual reporting period that begins after December 15, 2005. The adoption of this pronouncement is not expected to have a material effect on the Company's financial statements.

ITEM 3 - CONTROLS AND PROCEDURES

Evaluation and Disclosure Controls and Procedures

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

Management is aware that there is a lack of segregation of duties at the Company due to the small number of employees dealing with general administrative and financial matters. This constitutes a material weakness in the financial reporting. However, at this time management has decided that considering the employees involved and the control procedures in place, the risks associated with such lack of segregation are insignificant and the potential benefits of adding additional employees to clearly segregate duties do not justify the expenses associated with such increases. Management will periodically reevaluate this situation. If the volume of the business increases and sufficient capital is secured, it is the Company's intention to increase staffing to mitigate the current lack of segregation of duties within the general administrative and financial functions.

Changes in Internal Controls

There have been no changes in internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

10

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a Company have been detected.

PART 11 - OTHER INFORMATION

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

During the six months ended June 30, 2005, the Company raised $50,000 through the sale of 900,000 shares of common stock.

During the six months ended June 30, 2005, the Company issued an aggregate of 230,000 shares of its Common stock for professional services totaling $18,000.

During the six months ended June 30, 2005, the Company issued various parties 3,879,600 shares of common stock in connection with the conversion of preferred stock.

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

ITEM 6 - EXHIBITS

Exhibit No.	Description
14.1	Code of Ethics
31	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 8 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

11

SIGNATURE

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

Water Chef, Inc.

Date 8/12/05	/s/ David A. Conway David A. Conway President, Chief Executive Officer, and Chief Financial Officer (Principal Operating Officer)

12

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2005

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

For the transition period from to

Commission file number 1-09478

WATER CHEF, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	86-0515678
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1007 Glen Cove Avenue, Suite 1, Glen Head, New York 11545
(Address of principal executive offices)

516-656-0059
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

OUTSTANDING AS OF NOVEMBER 8, 2005

CLASS	Common
Par value $0.001 per share	178,738,154

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

WATER CHEF, INC.

INDEX

i

WATER CHEF, INC.
(A Development-Stage Company Commencing January 1, 2002)
CONDENSED BALANCE SHEET
AT SEPTEMBER 30, 2005
(UNAUDITED)

ASSETS

CURRENT ASSETS:	
Cash	$ 2,883
Inventory	30,000
Prepaid expenses	8,754
TOTAL CURRENT ASSETS	41,637
OTHER ASSETS:	
Patents and trademarks - net of accumulated amortization of $8,334	17,721
Other assets	3,162
TOTAL OTHER ASSETS	20,883
TOTAL ASSETS	$ 62,520

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Accounts payable	$ 222,307
Accrued expenses and other current liabilities	1,346,938
Notes payable (including accrued interest of $518,850)	1,187,072
Accrued dividends payable	146,732
Customer deposit	115,000
TOTAL CURRENT LIABILITIES	3,018,049

LONG-TERM LIABILITIES:	
Loans payable to stockholder (including accrued interest of $123,122)	495,903
TOTAL LIABILITIES	3,513,952
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIENCY:	
Preferred stock - $.001 par value; 10,000,000 shares authorized; 237,773 shares issued and outstanding, (liquidation preference $1,112,250)	238
Common stock - $.001 par value; 190,000,000 shares authorized; 177,304,697 shares issued and 177,300,297 shares outstanding	177,305
Additional paid-in capital	20,559,577
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	(9,651,188)
TOTAL STOCKHOLDERS' DEFICIENCY	(3,451,432)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 62,520

See notes to condensed financial statements.

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

	For the Three Months Ended September 30,		For the Ni Sept
	2005	2004	2005
SALES	$ --	$ --	$ 260,000
COST OF SALES	21,000	24,000	2,000
GROSS (LOSS) PROFIT	(21,000)	(24,000)	218,000
SELLING, GENERAL AND ADMINISTRATIVE - Including stock based compensation of $0 and $0 for the three months ended September 30, 2005 and 2004 and $18,000 and $311,037 for the nine month ended September 30, 2005 and 2004, and $741,563 for the period			

January 1, 2002 to September 30, 2005, respectively	275,299	428,357	920,505
NON-DILUTION AGREEMENT TERMINATION COST	--	--	--
INTEREST EXPENSE - including interest expense to a related party of $5,967 and $17,901 for three and nine months ended September 30, 2005 and 2004, respectively and $89,505 for the period January 1, 2002 through September 30, 2005	37,182	37,557	112,296
LOSS ON SETTLEMENT OF DEBT	--	--	--
FINANCING COST - EXTENSION OF WARRANTS	--	--	74,700
STOCK APPRECIATION RIGHTS - REDUCTION IN VALUE	--	--	(121,340
NET LOSS	(333,481)	(489,914)	(768,161
DEEMED DIVIDEND ON PREFERRED STOCK	--	--	--
PREFERRED STOCK DIVIDENDS	(34,909)	(47,398)	(121,552
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (368,390)	$ (537,312)	$ (889,713
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.00)	$ (0.00)	$ (0.01
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	168,354,650	142,188,759	161,884,506

See notes to condensed financial statements.

2

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(UNAUDITED)

	Preferred Stock		Common S	
	Shares	Amount	Shares	
BALANCE - JANUARY 1, 2005	614,413	$ 615	155,885,727	$
Proceeds from sale of common stock				
($0.05 per share) - March 21, 2005	--	--	200,000	
($0.06 per share) - May 12, 2005	--	--	500,000	
($0.05 per share) - May 12, 2005	--	--	200,000	

($0.07 per share) - July 14, 2005	--	--	714,286	
($0.08 per share) - July 14, 2005	--	--	312,500	
($0.10 per share) - July 14, 2005	--	--	1,000,000	
($0.07 per share) - August 5, 2005	--	--	428,571	
Common stock issued for services				
($0.05-$0.10 Per share) - March 21, 2005	--	--	230,000	
Common stock issued in repayment of debt				
($0.07 per share) - July 14, 2005	--	--	571,428	
Preferred stock converted to common stock				
During the quarter ended March 31, 2005	(55,970)	(56)	2,518,800	
During the quarter ended June 30, 2005	(34,020)	(34)	1,360,800	
During the quarter ended September 30, 2005	(286,650)	(287)	13,382,585	
Extension of 1,666,667 warrants - June 7, 2005	--	--	--	
Preferred stock dividend	--	--	--	
Net loss	--	--	--	
BALANCE - SEPTEMBER 30, 2005	237,773	$ 238	177,304,697	$

See notes to condensed financial statements

3

WATER CHEF, INC.
(A Development Stage Company Commencing January 1, 2002)
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(UNAUDITED)
(Continued)

	Treasury Stock	Deficit Accumulated Through December 31, 2001	Deficit Accumulated During Development Stage
BALANCE - JANUARY 1, 2005	$ (5,768)	$(14,531,596)	$ (8,883,027)
Proceeds from sale of common stock			
($0.05 per share) - March 21, 2005	--	--	--
($0.06 per share) - May 12, 2005	--	--	--
($0.05 per share) - May 12, 2005	--	--	--
($0.07 per share) - July 14, 2005	--	--	--
($0.08 per share) - July 14, 2005	--	--	--
($0.10 per share) - July 14, 2005	--	--	--
($0.07 per share) - August 5, 2005	--	--	--

Common stock issued in for services ($0.05-$.10 per share) - March 21, 2005	--	--	--
Common stock issued in repayment of debt ($0.07 per share) - July 14, 2005	--	--	--
Preferred stock converted to common stock			
During the quarter ended March 31, 2005	--	--	--
During the quarter ended June 30, 2005	--	--	--
During the quarter ended September 30, 2005	--	--	--
Extension of 1,666,667 warrants - June 7, 2005	--	--	--
Preferred stock dividend	--	--	--
Net loss	--	--	(768,161)
BALANCE - SEPTEMBER 30, 2005	$ (5,768)	$(14,531,596)	$ (9,651,188)

See notes to condensed financial statements.

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

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2005	For the Nine Months Ended September 30, 2004	For the Period January 1, 2002 (Inception) to September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (768,161)	$(3,302,675)	$(9,651,188)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of patents	1,390	1,391	6,952
Non-cash stock-based compensation	18,000	311,037	741,563
Non-dilution agreement termination cost	--	(223,860)	2,462,453
Financing cost - warrant extension	74,700	94,151	168,851
Loss on settlement of debt	--	2,313,716	2,519,866
Inventory reserve	--	--	159,250
Write-off of stock subscription receivable	--	--	21,800
Changes in assets and liabilities:			
Inventory	(30,000)	26,500	(30,000)
Prepaid expenses	8,359	(10,025)	47,746
Accounts payable, accrued expenses, accrued dividends and customer deposits	341,863	125,523	1,391,652

NET CASH USED IN OPERATING ACTIVITIES	(353,849)	(664,242)	(2,161,055)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock subscription receivable	20,000	--	65,700
Proceeds from sale of preferred stock	--	412,756	1,130,127
Proceeds from sale of common stock	255,000	207,600	732,600
Proceeds from sale of common stock to be issued	--	--	200,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	275,000	620,356	2,128,427
NET DECREASE IN CASH	(78,849)	(43,886)	(32,628)
CASH AT BEGINNING OF PERIOD	81,732	102,831	35,511
CASH AT END OF PERIOD	$ 2,883	$ 58,945	$ 2,883
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:			
Common stock issued for repayment of debt	$ 40,000	$ --	$ 40,000

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 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 nine-month period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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 April 6, 2005, for the year ended December 31, 2004.

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 collection is reasonably assured.

STOCK BASED COMPENSATION
In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("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 will continue to account for stock-based compensation according to Accounting Pronouncement Board ("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 provisions of SFAS No. 123 had been applied for the periods ended September 30, 2005 and 2004 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net loss applicable to common stockholders, as reported	$ (368,390)	$ (537,312)	$ (889,713)	$(5,548
ADD:				
Stock-based employee compensation, included in reported loss	--	--	--	-
LESS:				
Stock based employee compensation cost, net of tax effect under fair value accounting	--	44,636	--	125,
Pro-forma net loss under fair value method	$ (368,390)	$ (581,968)	$ (889,713)	$(5,673,
Loss per share - basic and diluted, as reported	$(0.00)	$(0.00)	$(0.01)	$(0
Pro-forma loss per share - basic and diluted	$(0.00)	$(0.00)	$(0.01)	$(0

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

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

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 $24,183,000 and has a working capital deficiency of approximately $2,976,000 at September 30, 2005. 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 May 2005, the FASB issued SFAS 154 - Accounting Change and 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 requirements for the accounting for and reporting of a change in accounting principle. 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. Management is evaluatiOnG the impact of this pronouncement on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment." This statement is a revision of SFAS 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 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 result in a cost that will be measured at fair value on the awards' grant dates, 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 interim or annual reporting period that begins after December 15, 2005. The adoption of this pronouncement is not expected to have a material effect on the Company's financial statements

NOTE 5 - 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 nine months ended September 30, 2005 and 2004 were 17,256,233 and 37,555,044, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Leases

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

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

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 7 - COMMON STOCK ISSUED

Cash

During the nine months ended September 30, 2005, the Company raised $255,000 through the sale of 3,355,357 shares of common stock.

Services

During the nine months ended September 30, 2005, the Company issued 230,000 shares of common stock for services for a value of $18,000.

Debt

During the nine months ended September 30, 2005, the Company issued 571,428 shares of common stock to pay-down $40,000 of its debt and accrued interest.

Conversion of preferred stock into common stock

During the nine months ended September 30, 2005, the Company issued various parties 17,262,185 shares of common stock in connection with the conversion of preferred stock.

Extension of warrants

In June 2005, the Company extended the life of 1,666,667 warrants for a period of 12 months. The warrants will expire in June 2006. The Company recorded a finance charge of $74,700 for the nine months ended September 30, 2005.

NOTE 8- MAJOR CUSTOMERS/CREDIT RISK

During the nine month period ended September 30, 2005, the Company sold five units to two customers and recognized revenues of $260,000. During the nine month period ended September 30, 2004, the Company sold one unit to one customer and recognized revenues of $56,290. During the three month period ended September 30, 2005 and 2004, there were no units sold.

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. At September 30, 2005, the Company did not have cash balances on deposit that exceeded the federally insured limits.

NOTE 9- SUBSEQUENT EVENTS

Subsequent to September 30, 2005, the Company issued 100,000 shares of its common stock 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. The share issuance will be accounted for as additional interest expense during the fourth quarter.

Subsequent to September 30, 2005, the Company issued 132,500 shares of common stock to a vendor for settlement of $6,625 of accounts payable.

Subsequent to September 30, 2005, the Company issued 1,080,357 shares of its common stock for $75,625 of cash.

Subsequent to September 30, 2005, the Company issued 125,000 shares of its common stock for services with a value of $7,500.

ITEM 2 - MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend for the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding the Company's expected financial position, business and financing plans are forward-looking statements. Such forward-looking statements are identified by use of forward-looking words such as "anticipates," "believes," "plans," "estimates," "expects," and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, technology developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

Introduction

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

Results of Operations

Sales for the nine months ended September 30, 2005 and September 30, 2004 were $260,000 and $56,290 respectively. During the nine months ended September 30, 2005, the Company recognized the sale of five PureSafe Water Station Systems. Four of these systems 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 of $115,000 during the first three months of 2005 for relief effort systems that will be shipped in 2005.

Cost of sales for the nine month periods ended September 30, 2005 and 2004 were $42,000 and $77,250 respectively. The cost of the units sold during 2005 was previously written off. An analysis of the components of cost of sales in the 2005 and 2004 periods follows:

Cost of Sales Period	Product CGS	Rent and Overhead Payments to Manufacturer	Total
For the nine months ended September 30, 2005	$ --	$ 42,000	$ 42,000
For the nine month ended September 30, 2004	$ 13,250	$ 64,000	$ 77,250

Selling, general and administrative expenses for the nine months ended September 30, 2005 were $920,505, compared to $985,037 for the nine months ended September 30, 2004, a decrease of 7%.

The net loss for the nine months ended September 30, 2005 was $768,161 compared to $3,302,675 in the same period ended September 30, 2004.

9

Liquidity and Capital Resources

At September 30, 2005, the Company had a working capital deficiency of approximately $2,976,000. In addition, the Company continues to suffer recurring losses from operations and has an accumulated deficit since inception of approximately $24,183,000. The accompanying financial statements have been prepared assuming that that the Company will continue as a going concern. 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, raising additional capital through future issuances of stock and/or equity, and finding sufficient profitable markets for its products to generate sufficient cash to meet its business obligations.

However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its product, marketing plan and distribution network.

The accompanying condensed financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Recent Accounting Standards

In May 2005, the FASB issued SFAS 154 - Accounting Change and 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 requirements for the accounting for and reporting of a change in accounting principle. 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 provision, those provisions should be followed. This statement is effective for accounting changes and corrects in errors made in fiscal years beginning after December 15, 2005. Management is evaluating the impact of this pronouncement on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment." This statement is a revision of SFAS 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 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 result in a cost that will be measured at fair value on the awards' grant dates, 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 interim or annual reporting period that begins after December 15, 2005. The adoption of this pronouncement is not expected to have a material effect on the Company's financial statements.

ITEM 3 - CONTROLS AND PROCEDURES

Evaluation and Disclosure Controls and Procedures

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

Management is aware that there is a lack of segregation of duties at the Company due to the small number of employees dealing with general administrative and financial matters. This constitutes a material weakness in the financial reporting. However, at this time management has decided that considering the employees involved and the control procedures in place, the risks associated with such lack of segregation are insignificant and the potential benefits of adding additional employees to clearly segregate duties do not justify the expenses associated with such increases. Management will periodically reevaluate this situation. If the volume of the business increases and sufficient capital is secured, it is the Company's intention to increase staffing to mitigate the current lack of segregation of duties within the general administrative and financial functions.

10

Changes in Internal Controls

There have been no changes in internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a Company have been detected.

PART 11 - OTHER INFORMATION

ITEM 2 - CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

During the nine months ended September 30, 2005, the Company raised $255,000 through the sale of 3,355,357 shares of common stock.

During the nine months ended September 30, 2005, the Company issued 230,000 shares of common stock for services for a value of $18,000.

During the nine months ended September 30, 2005, the Company issued 571,428 shares of common stock to pay-down $40,000 of its debt and accrued interest.

During the nine months ended September 30, 2005, the Company issued various parties 17,262,185 shares of common stock in connection with the conversion of preferred stock.

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.

ITEM 6 - EXHIBITS

Exhibit No.	Description
14.1	Code of Ethics
31	Certificate of Chief Executive Officer and Chief Financial

Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002

32 Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 8 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

11

SIGNATURE

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

Water Chef, Inc.

/s/ David A. Conway

Date November 8, 2005

David A. Conway
President, Chief Executive Officer, and Chief Financial Officer
(Principal Operating Officer)

12

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

FORM 10-KSB
(Mark One)

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

For the Year Ended December 31, 2005

OR

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

For the transition period from to

Commission file number: 0-30544

WATER CHEF, INC

(Name of small business issuer in its charter)

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

1007 GLEN COVE AVENUE, SUITE 1
GLEN HEAD, NY 11545
(Address of principal executive offices) (Zip Code)

(516) 656-0059
(Issuer's telephone number)

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

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

Redeemable Common Stock Purchase Warrants.

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

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

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

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

The issuer's net sales for the most recent fiscal year were $260,000.

The aggregate market value of the voting stock held by non-affiliates based upon the last sale price on March 15, 2006 was approximately $16,338,557.

As of March 15, 2006, the Registrant had 182,547,785 shares of its Common Stock, $0.001 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

Transitional Small Business Disclosure Format (Check one): YES NO X

WATER CHEF, INC.

ANNUAL REPORT ON FORM 10-KSB

TABLE OF CONTENTS

ITEM 1. DESCRIPTION OF BUSINESS

THE COMPANY

Water Chef, Inc. (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 their patented line of "PureSafe" water purification systems. The accompanying financial statements have been prepared assuming the Company will continue as a going concern. 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, the Company 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 Water Station (the "PureSafe"),because although Water Chef believed that its water dispensers and its wide variety of consumer oriented water filtration products met or exceeded the design, quality and performance of competitive products, market considerations were such as to limit the opportunities for profit and growth.

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.

While each unit is configured to respond to the particular water quality of a particular site, such as arsenic removal, seawater desalination, oil separation, etc., the typical unit contains the following components:

a. Inlet connection with macro-filter - designed to strain the input water, removes large particulates and directs water into the system

b. Inlet pump - self-priming pump which maintains water pressure at minimum 40 p.s.i. throughout the system

c. Pre-depth media filter - a multi-media mixed bed to remove pollutants. Pressure gauges mounted on the exterior front panel of the unit allow for visible monitoring of system performance.

d. Ozone generator - provides a rich ozone source that effectively kills all living pathogens such as bacteria, viruses, cysts, parasites, etc. Unused ozone reverts back to oxygen and produces no harmful byproducts.

e. Ozone mixing tank - Water Chef's proprietary process for effectively mixing the ozone into the water and maintaining the required contact time to ensure oxidation of contaminants.

f. Process pump - provides optimal operation of the ozone processing.

g. Post-depth media filter - another, different, multi-media mixed bed designed to filter out oxidized or precipitated pollutants and contaminants after the ozone treatment. Effectively removes metals, organics and inorganics. Pressure gauges on the front panel indicate the need for backwashing to maintain optimal performance.

h. Ultraviolet treatment - provided by a UV lamp as a redundant sterilizer step to eliminate any surviving pathogens or micro-organisms. The UV lamp is tuned to a frequency which also converts O_3 (ozone) back to O_2 (oxygen).

i. KDF filter - an ion exchange media containing a proprietary blend of copper, zinc and other alloys, effectively absorbs chlorine and biological, inorganic and metallic contaminants.

j. Carbon filter - prevents bacteria re-growth while removing inorganic compounds and improves water taste and removes odor. The carbon filter also acts as a redundant ozone destruct mechanism.

k. Mixer - sends ozone treated water to the bottle washing stations.

l. Bottle washing stations - incorporated on the outside front of the unit for easy access in order to effectively clean bottles used to carry water treated at the site.

m. Dispensing stations - four individual dispensing lines, each with flow adjusting valves to help regulate a smooth, steady flow of water into clean bottles.

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 is confident 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 Pure Safe 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.

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 December 31, 2005, 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.

ITEM 2. 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.

ITEM 3. LEGAL PROCEEDINGS

In May 2001, the Company entered into a distribution agreement with a company (the "Sub Distributor") based in Jordan. The Sub Distributor had 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.

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

Not Applicable

PART II

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

PRICE RANGE OF COMMON STOCK

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

The chart below sets forth the range of high and low bid prices for the

Company's common stock based on high and low bid prices during each specified period as reported by the National Quotation Bureau, Inc. The prices reflect inter-dealer prices without retail mark-up, markdown, quotation or commission and do not necessarily represent actual transactions.

	HIGH	LOW
2004		
First Quarter	.36	.16
Second Quarter	.37	.14
Third Quarter	.34	.14
Fourth Quarter	.29	.14
2005		
First Quarter	.28	.14
Second Quarter	.21	.11
Third Quarter	.29	.13
Fourth Quarter	.17	.06

As of the close of business on December 31, 2005, there were 823 common stock holders of record.

DIVIDENDS

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

6

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2005 with respect to our shares of Common Stock that may be issued under our existing equity compensation plans:

	(a) Number of securities to be issued upon exercise of outstanding options,	(b) Weighted-average exercise price of outstanding options,

Plan Category	warrants, and rights	warrants, and rights
Equity compensation plans approved by security holders	-	-
Equity compensation plans not approved by security Holders:		
Stock option plans (2)	6,000,000	$0.25

(1) Excludes securities listed in column (a)

(2) Consists of 5,000,000 stock appreciation rights granted to David A. Conway that vest over 5 years and 1,000,000 stock appreciation rights granted to Marshall S. Sterman that vest over 2 years. These individuals were originally granted stock options in January 2004 that were later converted to stock appreciation rights. Mr. Sterman's stock appreciation rights expired on January 7, 2006.

RECENT ISSUANCES OF UNREGISTERED SECURITIES

Purchaser	Price per Share	Purchase Amount	Class	Dat Purc
Occidental Engineering Consultants	0.1420	Late Fee for Interest Payment 14,200	Common	10/19
Salvatore Lo Bue	0.0700	27,625	Common	11/18
Anthony Giambrone	0.0700	48,000	Common	11/18
Roger Borsett	0.0600	Commission 7,500	Common	11/18
The Resnick Druckman Group LLC	0.0500	Compensation for Accounting Services 6,625	Common	11/18
Salvatore Lo Bue	0.0700	24,335	Common	11/29
Simplified Employee Pension Plan FBO Laura A Fonseca	0.0750	35,000	Common	11/29
James K Tse	0.0650	25,000	Common	11/29
KML	0.0500	30,000	Common	12/19
Max Ollech	0.0500	50,000	Common	12/19
Raimond Irni	0.0500	Commission 7,500	Common	12/19

The Company issued these shares in reliance upon 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.

Proceeds from the sales of these securities were used for general corporate purposes.

7

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

INTRODUCTION

DEVELOPMENT OF THE COMPANY

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

The PureSafe has been designed by the Company to meet the needs of communities who either did not have access to municipal water treatment systems, or to those whose systems had been compromised, either by environmental factors or by faulty design or maintenance.

Off-Balance Sheet Arrangements

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

RESULTS OF OPERATIONS

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.

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