

WaterPure International
Form 10-K
October 13, 2009

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

FORM 10-K

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

For the Fiscal Year Ended June 30, 2009

Commission File Number 333-135783

WATERPURE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation
or organization)

20-3217152
(IRS Employer Identification No.)

525 Plymouth Road, Suite 310
Plymouth Meeting, PA
(Address of principal executive office)

19462 (954) 728-2405
(Zip Code) (Registrant's telephone number, including
area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
Yes o No x

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o
No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Edgar Filing: WaterPure International - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>
Non-accelerated filer <input type="radio"/>	Smaller reporting company <input checked="" type="radio"/>

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting common equity held by non-affiliates as of December 31, 2008, based on the closing sales price of the Common Stock as quoted on the Nasdaq Over-the-Counter Bulletin Board was \$157,984.

As of October 12, 2009, there were 103,723,986 shares of registrant's common stock outstanding.

FORWARD LOOKING STATEMENTS

This Annual Report of WaterPure International, Inc. on Form 10-K contains forward-looking statements, particularly those identified with the words, “anticipates,” “believes,” “expects,” “plans,” “intends,” “objectives” and similar expressions. These statements reflect management's best judgment based on factors known at the time of such statements. The reader may find discussions containing such forward-looking statements in the material set forth under "Legal Proceedings" and "Management's Discussion and Analysis and Plan of Operations," generally, and specifically therein under the captions "Liquidity and Capital Resources" as well as elsewhere in this Annual Report on Form 10-K. Actual events or results may differ materially from those discussed herein.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our Management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risk Factors" below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission ("SEC"). You can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

References to Company Abbreviations (“we”, “our”, etc.) refer to WaterPure International, Inc.

References to the “Bulletin Board,” the “OTCBB” or the “OTC Bulletin Board” are to the Over-the-Counter Bulletin Board, a securities quotation service, which is accessible at the website www.otcbb.com.

WATERPURE INTERNATIONAL, INC.
FORM 10-K
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

		PAGE
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	6
Item 1B.	Unresolved Staff Comments	10
Item 2.	Properties	10
Item 3.	Legal Proceedings	10
Item 4.	Submission of Matters to a Vote of Security Holders	10
PART II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	11
Item 6.	Selected Financial Data	11
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	12
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	14
Item 8.	Financial Statements and Supplementary Data	14
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	16
Item 9A(T).	Controls and Procedures	16
Item 9B.	Other Information	17
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	18
Item 11.	Executive Compensation	19
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	21
Item 13.	Certain Relationships and Related Transactions, and Director Independence	21
Item 14.	Principal Accountant Fees and Services	22
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	23
	Signatures	24

PART I

ITEM 1. BUSINESS

Overview

WaterPure International, Inc. was organized under the laws of the state of Florida on July 22, 2005 and conducts business as a marketer and manufacturer of Atmospheric Water Generators (“AWG”). Though originally structured as a marketing entity, we have now become a manufacturer of AWGs after licensing patents from Everest Corp. and developing our own new line of AWGs under those patents. This strategic decision has led to sales fluctuations due to allocation of resources to research and development in some of our previous operating periods.

We are a development stage company until the sale of these new products lead to recognition of significant revenue. We want to be identified as an environmentally sustainable business. Clean drinking water is becoming a scarce commodity as our population increases. Additionally, it is our goal, to utilize the intellectual property from Everest Corp. to become a leading worldwide manufacturer of AWGs based on the quality of our machines and our choice of distributors and marketing channels. Of course, our future results are highly dependent upon the success of our efforts to manufacture and market our products and having the ability to attain and attract qualified personnel and adequate working capital.

In December 2007, we entered into two worldwide license agreements with Everest Water Ltd. for the manufacturing and marketing rights to advanced models of AWGs. One license is a non-exclusive license for a stand-alone water generator and the second license is an exclusive license for a mineral additive water generator process that will permit the addition of organic minerals, flavors and other additives to the water produced by the AWGs.

We previously purchased our products from a manufacturer in South Korea under an Original Equipment Manufacturer arrangement. However, we have chosen to discontinue our supply relationship with the Korean manufacturer, but we may reestablish the relationship at any time. Currently, we are selling a unit that we are manufacturing ourselves in Florida.

For the year ended June 30, 2009, we had revenue of approximately \$120,000 and net loss of approximately \$1.42 million.

Business Strategy

Currently we have focused on completion of our final production model of our new AWG, the WaterCycletm. We have leased a 1,000 sq. ft. facility in Margate, Florida that is in close proximity to our supplier of sheet metal used to build the new units. Our efforts to market the units after production have led to the signing of contracts with distributors in Florida, France, United Arab Emirates, the Cayman Islands and parts of Mexico. Also, rights of first refusal have been granted for Illinois, Venezuela and Colombia.

We intend to generate and enhance revenues through the following measures:

- Move into larger production facilities;
- Hire more experienced and skilled production staff; and
- Expand our marketing channels through a growing network of distributors and other methods.

We will need to raise sufficient capital in order to accomplish these goals.

Products and Suppliers

The basic technology employed by our products to produce water from air has been in use in other applications for many decades. Looking very much like the traditional water cooler (but without the inverted water bottle supplying the liquid), the WaterPure AWG stands in a residential or office environment and converts the moisture contained in the ambient air to water, providing a continuing supply of fresh, pure, hot or cold water. The essential processes employed by the water generator are simply evaporation and condensation. Water collected from this processes is then treated through various specialized filters and ultra violet light purification to obtain safe water output. Water produced from AWGs is not currently regulated by government authorities, however our water exceeds FDA standards for potable/drinking water. Since there is no revolutionary or unproven technology utilized in our process, we expect that the risks of failure of the product to perform as advertised are nominal.

Our current production line consists of the Watercycle™ AWG. This machine converts air into fresh drinking water. Our units operate on either 110 or 220 volt power and look similar to a typical water cooler, but do not connect to any water line. This avoids the need for bottled water delivery; heavy lifting of five gallon jugs; and of course does not use up the world's precious water supply. The AWGs condensation and purification process takes water out of ambient air (humidity) and filters and purifies the water from any foreign matter, bacterial, organic and other impurities.

We have been engaged in the development of a new AWG "the Watercycle™", in connection with the patent license we acquired from Everest Water Ltd. This new device utilizes ozone to eliminate microorganisms, increases water producing ability, has a more attractive appearance and uses fewer parts than the machines we are currently marketing. One model of the new AWG will also include an optional feature that will permit the user to add flavors and natural herbal additives, such as green tea. We have been marketing three models of AWGs from our existing inventory as well as new purchases from Liquid Air-Florida and have generated minimal revenues from operations.

Customers

AWGs are suitable for home/small office use and for higher volume office or commercial use. They are currently sold in the United States (California, Florida, Georgia, New Jersey and New York) as well as internationally (France, United Kingdom and Mexico).

Sales, Marketing and Distribution

We are currently aligning our marketing and distribution program to place our AWG products into the consumer market and commercial marketplace through distributor relationships. Our intent is on establishing defined sales channels and supporting them with meaningful marketing programs to the extent that funds are available. We have sold a small number of units and have generated minimal revenues from operations.

We currently have contracts with distributors for France, United Arab Emirates, Florida, the Cayman Islands, and parts of Mexico. We are in the negotiation stages with four other potential distributors and have received inquiries from over a dozen others for various territories. We are in the process of reviewing these and timing their contracts with our ability to produce and deliver units to them on a timely basis.

Research and Development

We have dedicated a significant amount of time and resources to research and development activities and plan to increase our research and development efforts to improve the efficiencies associated with water production, increase water storage capacity, expand the effectiveness of filtration devices, and enhance energy efficiency. For the year ended June 30, 2009, our R & D expenses were approximately \$18,000.

Competitive Advantage

The atmospheric water generator and filtration system industry is relatively new and rapidly evolving. Based on our research, there are possibly 10 entities experimenting with the technology of water generation, of which five are direct, active competitors. Some of those companies have limited or no business activities while others have entered into strategic alliances with one another. The relatively high energy cost associated with changing water from its vapor phase in the air to the liquid phase appears to be an obstacle to making sales for a number of these competitors. Control of bacteria and viruses in the field of atmospheric water generation creates a technological challenge, which is a substantial barrier for others to enter this field.

Our previous AWG products are comparable to the others in the industry utilizing similar technologies with certain differences consistent with patented processes. Our new AWG, which we call the Watercycle™, contains 50% fewer parts and has greater reliability than the competitive devices. Additionally, our Watercycle™ employs an ozone treatment to purify the water from all microorganisms as opposed to the UV (ultra violet) light applications utilized by other AWGs. This is an effective method of eliminating all bacteria and other microorganisms and has the additional benefit of being environmentally friendly inasmuch as there is no UV lamp to dispose and replace.

Today, governments and health professionals are starting to realize and understand the negative health effects of pollution, chemicals used to disinfect water supplies, and residual salt in desalinated water, and how they affect human bodies. We believe there is a robust market opportunity that exists for atmospheric water generators and filtration systems. These technologies can provide an alternative solution to the world's shortage of fresh water and provide clean, safe drinking water in various geographical settings.

Patents, Licenses and Royalty Agreements

Everest Water, Ltd., the Licensor, has developed a new concept for a water-making machine. Everest Water has received U.S. patent #7,272,947 and has another patent pending in United States Patent No. Serial Number 11/833,491 filed August 3, 2007.

On December 7, 2007, we acquired rights to manufacture and market these patented AWGs pursuant to two worldwide license agreements entered into with Everest Water Ltd. One license is a non-exclusive license for a stand-alone water generator and the second license is an exclusive license for a mineral additive water generator process that will permit the addition of organic minerals, flavors and other additives to water produced by the machine. We agreed to pay \$300,000 and issue 1,500,000 shares of our common stock valued at \$330,000 as consideration for this agreement. We made a cash payment of \$50,000 with the execution of the agreement and an additional \$10,000 in March 2008. The stock was to be issued in two allotments: 1,000,000 shares to be held until completion of the prototype machine and an additional 500,000 shares 90 days later. We agreed to pay Everest Water Ltd. an 8% royalty payment with a guaranteed minimum annual payment of \$100,000 beginning in 2007. This agreement terminates with the expiration of the Everest patent, on September 3, 2024.

On August 1, 2008, we and Everest Water Ltd. modified payment terms of the licensing agreement. Under the modified terms, we shall pay Everest \$430,000 over 33 months starting September 1, 2008 and shall make 8% royalty payments to Everest within 20 days after the closing of each calendar quarter. The royalties have guaranteed minimum payments as follows: \$50,000 year one, \$60,000 year two, \$70,000 year three, \$90,000 year four and \$100,000 each year after. The annual periods commence August 1, 2008, the date of execution of the revised agreement. As of June 30, 2009, we have paid \$13,000 and are \$22,000 in arrears.

Competition

The atmospheric water generator, water purification and bottled water industries are highly competitive. This market segment includes numerous manufacturers, distributors, marketers, and retailers that actively compete for the business of consumers both in the United States and abroad. In addition, the market is highly sensitive to the introduction of new products and technologies that may rapidly capture a significant share of the market. As a result, our ability to remain competitive depends in part upon its successful introduction and consumer acceptance of new products. Although our products bear our own exclusive WaterPure branding, we expect that the competition will intensify in the future, since our competitors can and may duplicate many of the products or services offered by us.

The principal competition within the AWG industry comes from Air to Water, Inc. also known as World Wide Water Company. This company holds a patent for atmospheric water generators for various distributors, a similar water generating device and has product manufactured in China. Yuxin, a Chinese manufacturing company, also produces atmospheric water generators for various distributors.

The following are our other competitors:

Hyflux (www.hyflux.com) is a publicly traded company based in Singapore. Hyflux's main business is in extremely large-scale water filtration and purification through membrane technology such as reverse osmosis and desalination. In January 2003, they announced that they had purchased a portion of a U.S. company, World Wide Air2Water, and also entered into a licensing agreement to manufacture air to water generators called the Dragonfly. Hyflux contracted the manufacturing of the Dragonfly units to a multi-billion dollar appliance manufacturer located in Qing Dao, China, called Haier.

Dong Yang Co. Ltd., (www.dywater.net) is based in Kimpo, South Korea. The company has been involved with the manufacturing of residential/office water purification devices using Reverse Osmosis for 20 years. They entered the AWG water industry in 2002 with an upright full size unit known today as the M-10.

Wataire Industries (www.wataireindustries.com) is a publicly traded company with its corporate office in Vancouver, Canada. Having been in the atmospheric water business for a number of years, the company has kept a very low profile, only to rise again in the past year by revamping and redesigning their products. Wataire's full-sized upright AWG is called the WII-4010. According to the website, Wataire's manufacturing facility is located in Sydney, Australia. Additionally, Wataire also offers industrial/commercial water generators.

Government Regulation

The manufacturing, processing, testing, packaging, labeling and advertising of the products that we sell may be subject to regulation by one or more U.S. federal agencies, including the Food and Drug Administration, the Federal Trade Commission, the Community Supported Agriculture in North America, the United States Department of Agriculture, the Environmental Protection Agency, the standards provided by the United States Public Health Authority and the World Health Organization for drinking water. These activities may also be regulated by various agencies of the states, localities and foreign countries in which consumers reside. Currently, our AWGs are not subject to any governmental regulation although it is possible that the FDA may choose to regulate the quality of water that AWGs produce.

Since we are subject to a wide range of regulation covering every aspect of our business as mentioned above, we cannot predict the nature of any future U.S. laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. Although the regulation of water is less restrictive than that of drugs and food additives, we cannot assure you that the current statutory scheme and regulations applicable to water will remain less restrictive. Further, we cannot assure you that, under existing laws and regulations, or if more stringent statutes are enacted, regulations are promulgated or enforcement policies are adopted, we are or will be in compliance with these existing or new statutes, regulations or enforcement policies without incurring material expenses or adjusting our business strategy. Any laws, regulations, enforcement policies, interpretations or applications applicable to our business could require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not capable of reformulation, additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling or scientific substantiation.

Employees

As of September 30, 2009, we had six employees, four of whom are either officers and/or shareholders. The employees who are either officers and/or shareholders have received no cash compensation to date. We are accruing the annual salary to our CEO, which is \$150,000. Staffing levels will be determined as we progress and grow. Our Board of Directors determines the compensation of all new employees based upon job descriptions.

ITEM 1A. RISK FACTORS

Our company has limited operating history and therefore we cannot ensure the long-term successful operation of our business or the execution of our business plan.

We have only been in existence and engaged in our current and proposed business operations since July 2005. As a result, we have only a limited operating history upon which you may evaluate our proposed business and prospects. Our proposed business operations will be subject to numerous risks, uncertainties, expenses and difficulties associated with early stage enterprises and the development, production and sale of the types of products and services that we

offer. You should consider an investment in our company in light of these risks, uncertainties, expenses and difficulties. Such risks include:

- the absence of an operating history;
- insufficient capital;
- expected continual losses for the foreseeable future;
- our ability to anticipate and adapt to a developing market(s);
- acceptance by consumers of our products;
- limited marketing experience;
- reliance on our license agreement with Everest Water Ltd.;
- reliance on third party manufacturers for our AWGs;
- a competitive environment characterized by numerous, well-established and well-capitalized competitors;
- our ability to identify, attract and retain qualified personnel;
- our ability to provide superior customer service; and
- reliance on key personnel.

Because we are subject to these risks, you may have a difficult time evaluating our business and your investment in our Company. We may be unable to successfully overcome these risks which could harm our business.

Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by new and growing companies in the green technology and wellness fields in which we operate. We must meet many challenges including:

- establishing and maintaining broad market acceptance of products and converting that acceptance into customers;
- establishing and maintaining our brand name;
- timely and successfully introducing new products and increasing the functionality and features of existing products; and
 - successfully responding to competition.

Our business strategy may be unsuccessful and we may be unable to address the risks we face in a cost-effective manner, if at all. If we are unable to successfully address these risks our business will be harmed.

We have a history of losses which may continue, which may negatively impact our ability to achieve our business objectives.

We incurred net losses of \$1,423,395 and \$2,289,370 for the years ended June 30, 2009 and 2008, respectively. In addition, at June 30, 2008, we had an accumulated deficit of \$4,890,357 and a working capital deficit of \$927,551. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

In their report dated October 12, 2009, our independent registered public accounting firm indicated that there is substantial doubt about our ability to continue as a going concern as a result of our minimal revenues, recurring net losses and our working capital deficiency. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

If we are unable to obtain additional funding our business operations will be harmed.

Our business plan contemplates a rapid rollout of our AWGs through multiple channels, which will require significant capital. We will require additional funds to sustain our operations and institute our business plan. We anticipate that we will require up to approximately \$2,000,000 to fund our anticipated operations for the next twelve months. Additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. Even if we do receive additional financing, it may not be sufficient to sustain or expand our development operations or continue our business operations.

If we do obtain additional financing our then existing shareholders may suffer substantial dilution.

We do not have any contracts or commitments for additional funding, and there can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. The inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we cannot raise the additional capital required to implement our business plan, we may be required to curtail operations or develop a different business strategy, which could adversely affect our financial condition and results of operations. Further additional debt financing must be repaid regardless of whether or not we generate profits or cash flows from our business activities. Equity financing may result in dilution to existing stockholders and may involve securities that have rights, preferences, or privileges that are senior to our common stock.

Failure to achieve market acceptance of our products would result in lack of revenues.

Our business is primarily based on a new concept of atmospheric water generators. There is no assurance that our products will gain wide consumer acceptance or any acceptance. Market acceptance of our products may take a long time. The introduction of a new brand generally requires a minimum of twelve to eighteen months before a new product will receive market acceptance from consumers and retailers. If our products do not gain a sufficient level of consumer acceptance, our revenues could be adversely affected which would have a material impact on our business.

Our licensing agreement with Everest Water Ltd. is subject to termination in certain instances, which could result in a substantial loss of revenues from our products.

We have entered into a licensing arrangement with Everest Water Ltd., which grants us a worldwide, non-exclusive license for a stand-alone water generator and an exclusive license for a mineral additive water generator process that will permit the addition of organic minerals, flavors and other additives to the water produced by the machine. Under the terms of this arrangement, we are obligated to make certain minimum payments to Everest Water. Failure to meet these payments would result in a default under the contract. If the license terminates, we would no longer have the right to market and sell the atmospheric water generators, which we expect to account for substantially all of our products in the immediate future. If this were to occur, we could likely experience a substantial loss of revenues from our products.

Inability to satisfy demand for our product would reduce our ability to gain a foothold in the market.

Even if our AWGs do gain consumer and retail acceptance, there is no assurance that we will be able to successfully meet the market's demand should our manufacturers' capacity become limited or if we do not have sufficient capital to pay manufacturing costs. If we cannot meet the demand for our products, our ability to gain a foothold in the market may be compromised, with consumers turning to other products that are available in sufficient numbers.

If we need to replace suppliers, our expenses could increase resulting in smaller profit margins.

We compete with other companies for the production capacity of our suppliers and import quota capacity. Some of these competitors have greater financial and other resources than we have, and thus may have an advantage in the competition for production and import quota capacity. We cannot assure you that this additional capacity will be available when required on terms that are acceptable to us or similar to existing terms which we have with our suppliers, either from a production standpoint or a financial standpoint. We enter into purchase order commitments on an as-needed basis, specifying a time for delivery, method of payment, design and quality specifications and other standard industry provisions, but do not have long-term contracts with any suppliers. None of the suppliers we use produces our products exclusively.

Should we be forced to replace one or more of our suppliers, then we may experience an adverse financial impact, or an adverse operational impact, such as being forced to pay increased costs for such replacement manufacturing or delays upon distribution and delivery of our products to our customers, which could cause us to lose customers or lose revenues because of late shipments.

Our trademark and other intellectual property rights may not be adequately protected outside the United States, resulting in loss of revenue.

We believe that our trademarks, whether licensed or owned by us, and other proprietary rights are important to our success and our competitive position. In the course of our international expansion, we may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot assure that the actions we have taken to establish and protect these trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States.

Our business is exposed to domestic and foreign currency fluctuations; negative changes in exchange rates could result in greater costs.

We generally purchase our products in U.S. dollars. However, we obtain most of our products from overseas and the cost of these products may be affected by changes in the value of the relevant currencies. Changes in currency exchange rates may also affect the relative prices at which we and our foreign competitors sell products in the same market, resulting in higher costs to us. We currently do not hedge our exposure to changes in foreign currency exchange rates. We cannot assure you that foreign currency fluctuations will not have a material adverse impact on our financial condition and results of operations.

We are highly dependent on our management and our business would be materially adversely affected if any of our executives leave.

The operations and financial success of our company are significantly dependent on Paul S. Lipschutz, our Chief Executive Officer. We do not maintain key man life insurance on Mr. Lipschutz. Also, should he become unable or unwilling to continue to direct operations, we may lack the funds and financial resources to replace departing management and we would be materially adversely affected. Operations could be materially affected and under certain circumstances, shareholders would lose their entire investment.

Risks Relating to Our Common Stock:

If we fail to remain current in our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant.

Efforts to comply with recently enacted changes in securities laws and regulations will increase our costs and require additional management resources, and we still may fail to comply.

In accordance with Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules which require public companies to include a report of management on our internal controls over financial reporting in their annual reports on Form 10-K. In addition, the public accounting firm auditing our financial statements must attest to and report on our internal controls over financial reporting. While the requirements of section 404(a) are applicable this year, the section 404(b) requirements are not presently applicable to us, but we will become subject to these requirements for the fiscal year ending June 30, 2010. When section 404(b) regulations become applicable to us, and if we are unable to conclude that we have effective internal controls over financial reporting or if our independent auditors are unable to provide us with an unqualified report as to the effectiveness of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities. We have not yet begun a formal process to document and test our internal controls over financial reporting (see Item 9A(T) Controls and Procedures). Given the status of our efforts, coupled with the fact that guidance from regulatory authorities in the area of internal controls continues to evolve, substantial uncertainty exists regarding our ability to comply by applicable deadlines.

Our common stock is subject to the "Penny Stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

Edgar Filing: WaterPure International - Form 10-K

The SEC has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive office is located at 525 Plymouth Road, Suite 310, Plymouth Meeting, PA 19462. The rent for the office space is \$500 a month and we have a month-to-month lease.

In June 2007, we opened a regional operations center at 1975 E Sunrise Boulevard, Fort Lauderdale, Florida. We entered into a month-to-month lease for \$543 per month. This facility accommodates our administrative, sales and customer relations personnel.

In May 2009, we moved the manufacturing and research and development operations to a 1,000 sq. ft. facility in Margate, Florida. We entered into a month-to-month lease for \$1,200 per month.

ITEM 3. LEGAL PROCEEDINGS

We are currently not a party to any material legal proceedings or claims.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF COMMON STOCK

Our common stock is currently traded on the NASDAQ Over-the-Counter Bulletin Board under the symbol "WPUR." Prior to January 2007, there was no trading market for our common stock. For the period from January 1, 2007 to date, the following table sets forth the high and low sale prices of our common stock as reported by the NASDAQ Over-the-Counter Bulletin Board.

Period	High	Low
Fiscal Year Ended June 30, 2009:		
First Quarter	\$ 0.140	\$ 0.020
Second Quarter	0.039	0.004
Third Quarter	0.025	0.004
Fourth Quarter	0.020	0.010
Fiscal Year Ended June 30, 2008:		
First Quarter	\$ 0.700	\$ 0.220
Second Quarter	0.400	0.150
Third Quarter	0.240	0.110
Fourth Quarter	0.200	0.070

On October 9, 2009, the closing sale price of our common stock, as reported by the NASDAQ Over-the-Counter Bulletin Board, was \$0.01 per share. On October 12, 2009, there were 175 holders of record of our common stock.

DIVIDEND POLICY

We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

RECENT SALE OF UNREGISTERED SECURITIES AND EQUITY PURCHASES BY THE COMPANY

During the quarter ended June 30, 2009, we issued 7,343,400 shares of our common stock for consulting services totaling \$105,864.

During the quarter ended June 30, 2009, in separate transactions, we sold in private placements 500,000 shares of our common stock at \$.0024 per share for a total of \$1,200, 7,600,000 shares at \$.005 per share for a total of \$38,000, and 6,000,000 shares at \$.0015 per share for a total of \$9,000. The fair values of the shares were determined based on the closing market price of the shares at the date of the agreements.

Unless otherwise noted in this section, with respect to the sale of unregistered securities referenced above, all transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the

"1933 Act"), and Regulation D or Regulation S promulgated under the 1933 Act. In each instance, the purchaser had access to sufficient information regarding WaterPure International, Inc. so as to make an informed investment decision. More specifically, we had a reasonable basis to believe that each purchaser was an "accredited investor" as defined in Regulation D or Regulation S of the 1933 Act and otherwise had the requisite sophistication to make an investment in our securities.

Equity Compensation Plan Information

We do not have any equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

Not required under Regulation S-K for "smaller reporting companies."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.

General

We are a developing stage company, currently selling our products through our distribution and marketing programs, which consists of placing our product in retail establishments and through distributors. In December 2007, we entered into agreements with Everest Water Ltd. for the manufacturing and marketing rights to advanced models of our product. Our primary focus will be on strengthening the defined sales channels and supporting them with meaningful marketing programs to the extent that funds are available. We have sold our first units and have generated minimal revenues from operations.

Our current burn rate of available capital is currently unable to support operations for the next 12 months. This consists of approximately \$2,000,000 for manufacturing, accounting, legal, technical support, web maintenance and service equipment, travel, telephone and office supplies. An additional \$100,000 would be utilized for the production and execution of our marketing support program. We are currently working on raising enough capital to cover these expenditures.

Our plan of operations for the next 12 months will be the continued development of our distribution and marketing channels in our selected launch markets and the continued expansion of our product line to afford us a larger market into which we may sell product. We plan to conduct additional product research and development through manufacturing partnerships so we do not intend to purchase any additional significant equipment at this time. In addition, we do not expect a significant change in the number of employees.

Results of Operations

For the Fiscal Year ended June 30, 2009 Compared to the Fiscal Year ended June 30, 2008

Revenue and Net Loss

Revenue for the year ended June 30, 2009 was \$120,372, an increase of \$54,372 or 82.4% from approximately \$66,000 for the comparable period in 2008 and we incurred a net loss of approximately \$1.42 million for the year ended June 30, 2009 as compared to a net loss of approximately \$2.29 million for the year ended June 30, 2008. The increase in revenue for the year was primarily attributable to strategic planning, having capital to manufacture AWGs and developing revenue-generating opportunities. The decrease in loss is directly attributable to a decrease in general and administrative expenses.

Cost of Goods Sold

Cost of goods sold consists of direct costs on contracts, materials, direct labor, third party subcontractor services, union benefits and other overhead costs. Our cost of revenue was approximately \$90,500 or 75.2% of revenue for the year ended June 30, 2009, compared to \$68,000 or 103% for the prior year. The decrease is due to higher sales volume and better cost controls on the parts for our machines.

General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2009 were \$1,256,707, a decrease of \$950,795 compared to \$2,207,502 for the comparable period in 2008. The overall decrease resulted from decreases of \$257,937 in officer compensation (\$657,937 for the year ended June 30, 2008 compared to \$400,000 for the year ended June 30, 2009), \$445,063 in stock compensation to others (\$892,101 for the year ended June 30, 2008 compared to \$447,038 for the year ended June 30, 2009), \$118,369 in professional expenses (\$290,217 for the year ended June 30, 2008 compared to \$171,848 for the year ended June 30, 2009), \$44,058 in meals and entertainment expense (\$54,664 for the year ended June 30, 2008 compared to \$10,606 for the year ended June 30, 2009), \$24,829 in rent expense (\$39,008 for the year ended June 30, 2008 compared to \$14,179 for the year ended June 30, 2009), \$49,360 in travel expense (\$64,452 for the year ended June 30, 2008 compared to \$15,092 for the year ended June 30, 2009) and \$11,179 in other expenses.

Interest Expense

There was \$13,417 in interest expense for the year ended June 30, 2009 compared to \$10,275 for the year ended June 30, 2008. The increase is due to increase of interest bearing debt. The short-term loans from shareholders and officers carry no interest.

Income Tax Expenses

We have incurred only losses to date and therefore have no income tax expense.

Liquidity and Capital Resources

To date, we have generated minimal revenues and have incurred operating losses in every quarter. We are a development stage company, have not generated significant revenues from operations and have incurred significant losses since inception. These factors among others raise substantial doubt about our ability to continue as a going concern.

As of June 30, 2009, we had a working capital deficiency of \$927,551. For the twelve months ended June 30, 2009, we had net cash outflow from operating activities of \$237,302. Cash provided by financing activities totaled \$231,881 for the twelve months ended June 30, 2009.

We expect significant capital expenditures during the next 12 months for manufacturing products, license payments and plant expansion. We are currently seeking joint venture partners and equity financing to fund these expenditures, although we do not have any contracts or commitments for either at this time. We will have to raise additional funds to continue manufacturing our AWGs and, while we have been successful in doing so in the past, there can be no assurance that we will be able to do so in the future. Our continuation as a going concern for a period longer than the current fiscal year is dependent upon our ability to obtain necessary additional funds to continue operations and the attainment of profitable operations.

By adjusting our operations to the level of capitalization, and through short term loans from officers we believe we will have sufficient capital resources to meet projected cash flow deficits in the near term. However, if during that period, or thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition.

We presently do not have any available credit, bank financing or other external sources of liquidity. Due to our brief history and historical operating losses, our operations have not been a source of liquidity. We will need to obtain additional capital in order to expand operations and become profitable. In order to obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. There can be no assurance that we will be successful in obtaining additional funding.

We will still need additional capital in order to continue operations until we are able to achieve positive operating cash flow. Additional capital is being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

Contractual Obligations and Off-Balance Sheet Arrangements.

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments.

Critical Accounting Policies

Our financial statements are prepared based on the application of accounting principles generally accepted in the United States of America. These accounting principles require us to exercise significant judgment about future events that affect the amounts reported throughout our financial statements. Actual events could unfold quite differently than our previous judgments had predicted. Therefore the estimates and assumptions inherent in the financial statements included in this report could be materially different once those actual events are known. We believe the following policies may involve a higher degree of judgment and complexity in their application and represent critical accounting policies used in the preparation of our financial statements. If different assumptions or estimates were used, our financial statements could be materially different from those included in this report.

Revenue Recognition

We recognize revenues in accordance with Staff Accounting Bulletin 104, "Revenue Recognition in Financial Statements" (SAB 104). We sell atmospheric water generators. Revenue from such product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable. At this time the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which is generally when the goods are shipped and all our significant obligations have been satisfied.

Accounts Receivable

We must make judgments about the collectibility of our accounts receivable to be able to present them at their net realizable value on the balance sheet. To do this, we carefully analyze the aging of our customer accounts, try to understand why accounts have not been paid, and review historical bad debt problems. From this analysis, we record an estimated allowance for receivables that we believe will ultimately become uncollectible. As of June 30, 2009, we had an allowance for bad debts of \$22,759. We actively manage our accounts receivable to minimize our credit risks and believe that our current allowance for doubtful accounts is fairly stated.

Reliability of Inventory Values

We make judgments about the ultimate realizability of our inventory in order to record our inventory at its lower of cost or market. These judgments involve reviewing current demand for our products in comparison to present inventory levels and reviewing inventory costs compared to current market values.

Recent Accounting Pronouncements

In May 2009, the FASB issued SFAS 165, "Subsequent Events", ("SFAS 165"), which establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. In particular, SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements' and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. It is effective for interim and annual periods ending after June 15, 2009.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for "smaller reporting companies."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

14

WATERPURE INTERNATIONAL, INC.

INDEX TO FINANCIAL STATEMENTS

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-1
FINANCIAL STATEMENTS	
Balance Sheets	F-2
Statements of Operations	F-3
Statement of Changes in Stockholders' Equity (Deficiency)	F-4
Statements of Cash Flows	F-6
Notes to Financial Statements	F-7 to F-16

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
WaterPure International, Inc.

We have audited the accompanying balance sheets of WaterPure International, Inc. (a development stage company) (the "Company") as of June 30, 2009 and June 30, 2008, and the related statements of operations, changes in stockholders' equity (deficiency) and cash flows for the years then ended and for the period from inception (June 22, 2005) through June 30, 2009. 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 audits 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 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 WaterPure International, Inc. as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended and for the period from inception (June 22, 2005) through June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred a net loss since its inception totaling approximately \$4.89 million, has earned minimal revenues and has a working capital deficiency as of June 30, 2009. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ CCR, LLP

Glastonbury, Connecticut
October 12, 2009

F-1

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash	\$-	\$5,421
Accounts receivable - net of allowance (\$22,759 at June 30, 2009 and \$2,762 at June 30, 2008)	-	-
Inventories	15,960	87,957
Total current assets	15,960	93,378
Trademark	325	325
Intangible asset - license, net of accumulated amortization	992,221	1,056,785
Total assets	\$1,008,506	\$1,150,488
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Accounts payable	\$120,888	\$122,641
Accrued expenses	282,532	133,921
Accrued royalties payable - current	50,000	-
Licensing fees - current	167,000	230,000
Deferred revenue - current	1,800	-
Notes payable	25,000	25,000
Convertible debt	105,938	50,000
Due to officers	103,229	98,053
Due to stockholders	87,124	105,169
Total current liabilities	943,511	764,784
Accrued royalties payable - non current	735,053	496,373
Licensing fees - non current	185,983	-
Deferred revenue - non current	98,400	-
Total Liabilities	1,962,947	1,261,157
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Common stock, par value \$.0001 per share; 250,000,000 authorized	9,242	3,147

Edgar Filing: WaterPure International - Form 10-K

Common stock to be issued	2,500	355,000
Additional paid in capital	3,924,174	2,998,146
Accumulated deficit	(4,890,357)	(3,466,962)
Total stockholders' deficiency	(954,441)	(110,669)
Total liabilities and stockholders' deficiency	\$1,008,506	\$1,150,488

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

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008 AND FOR THE PERIOD
FROM JULY 22, 2005 (INCEPTION) THROUGH JUNE 30, 2009

	Year ended June 30, 2009	Year ended June 30, 2008	July 22,2005 (inception) through June 30, 2009
REVENUES	\$120,372	\$65,651	\$192,302
COST OF GOODS SOLD	90,478	67,656	161,545
Gross profit/(loss)	\$29,894	\$(2,005)	\$30,757
EXPENSES			
General and administrative expenses	1,256,707	2,207,502	4,624,604
LOSS FROM OPERATIONS	(1,226,813)	(2,209,507)	(4,593,847)
Interest expense	13,417	10,275	43,757
Accretion of accrued royalties and licensing fees	100,163	31,509	131,672
Amortization expense	83,002	38,079	121,081
Loss before provision for income taxes	(1,423,395)	(2,289,370)	(4,890,357)
Provision for income taxes	-	-	-
Net loss	\$(1,423,395)	\$(2,289,370)	\$(4,890,357)
Net loss per share basic and diluted	\$(0.03)	\$(0.09)	\$(0.16)
Weighted average per common share	54,972,043	24,125,379	31,381,235

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

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY(DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH JUNE, 2009

	Common stock-to-be-issued		Common stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount			
Balance July 22, 2005 (inception)	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Common stock to be issued in connection with Incorporation (July 22, 2005)	4,000,000	10,000	-	-	-	-	10,000
Common stock to be issued for consulting services	16,150,000	40,375	-	-	-	-	40,375
Common stock issued - private placement, net of issuance costs of \$58,255	461,750	126,445	-	-	-	-	126,445
Net loss	-	-	-	-	-	(64,361)	(64,361)
Balance June 30, 2006	20,611,750	176,820	-	-	-	(64,361)	112,459
Issuance of shares	(20,611,750)	(176,820)	20,611,750	2,061	174,759	-	-
Beneficial conversion of loan discount	-	-	-	-	18,750	-	18,750

Edgar Filing: WaterPure International - Form 10-K

Common stock issued for consulting services	-	-	660,000	66	622,334	-	622,400
Issuance of options for compensation	-	-	-	-	231,300	-	231,300
Net loss	-	-	-	-	-	(1,113,231)	(1,113,231)
Balance June 30, 2007	-	-	21,271,750	2,127	1,047,143	(1,177,592)	(128,322)
Common stock to be issued	1,750,000	355,000	-	-	-	-	355,000
Issuance of shares	-	-	4,330,000	433	468,567	-	469,000
Issuance of shares as repayment of amount due to stockholders	-	-	467,626	47	70,097	-	70,144
Common stock issued for consulting services	-	-	5,277,500	528	829,101	-	829,629
Issuance of options for compensation	-	-	-	-	582,937	-	582,937
Exercise of options	-	-	125,000	12	301	-	313
Net loss	-	-	-	-	-	(2,289,370)	(2,289,370)
Balance June 30, 2008	1,750,000	\$ 355,000	31,471,876	\$ 3,147	\$ 2,998,146	\$ (3,466,962)	\$ (110,669)

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

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY(DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH JUNE 30, 2009
(continued)

	Common stock to-be-issued		Common stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount			
Cancellation of common stock to-be-issued	(1,500,000)	(330,000)	-	-	-	-	(330,000)
Issuance of shares	(250,000)	(25,000)	20,849,999	2,085	113,615	-	90,700
Issuance of shares as repayment of amount due to officers	-	-	1,000,000	100	49,900	-	50,000
Issuance of shares as repayment of amount due to stockholders	-	-	666,111	67	41,483	-	41,550
Beneficial conversion of loan discount	-	-	-	-	22,500	-	22,500
Common stock issued for consulting services	-	-	38,436,000	3,843	697,038	-	700,881
Issuance of options as compensation	-	-	-	-	1,492	-	1,492
Common stock to-be-issued	500,000	2,500	-	-	-	-	2,500

Edgar Filing: WaterPure International - Form 10-K

Net loss	-	-	-	-	-	(1,423,395)	(1,423,395)
Balance June 30, 2009	500,000	\$ 2,500	92,423,986	\$ 9,242	\$ 3,924,174	\$ (4,890,357)	\$ (954,441)

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

F-5

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008 AND FOR THE
PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH JUNE 30, 2009

	Year ended June 30, 2009	Year ended June 30, 2008	July 22, 2005 (inception) through June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(1,423,395)	\$(2,289,370)	\$(4,890,357)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of accrued royalties	100,163	31,509	131,672
Amortization of intangible asset - license	64,564	38,079	102,643
Common stock issued for consulting services	700,881	829,629	2,193,285
Issuance of stock options - employees	1,492	582,937	815,729
Amortization of beneficial conversion discount	18,438	-	37,188
Changes in operating assets and liabilities			
(Increase)/Decrease in:			
Accounts receivable	-	6,904	-
Other receivables	-	7,000	-
Inventories	71,997	(24,315)	(15,960)
Other current assets	-	7,035	-
Security deposits	-	200	-
Increase/(Decrease) in:			
Accounts payable and accrued expenses	153,858	212,939	403,420
Accrued royalties and licensing fee payable	(25,500)	(63,000)	(88,500)
Deferred revenue	100,200	-	100,200
Net cash used in operating activities	(237,302)	(660,453)	(1,210,680)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Trademark	-	-	(325)
Net cash used in investing activities	-	-	(325)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from private placement	-	-	126,445
Proceeds from sale of founders shares	-	-	10,000
Net proceeds from sale of stock and exercise of stock options	93,200	494,313	587,513
Proceeds from notes payable	-	-	50,000

Edgar Filing: WaterPure International - Form 10-K

Repayment of notes payable	-	(25,000)	(25,000)
Advances from officers	55,176	84,680	153,229
Advances from stockholders	23,505	100,963	198,818
Proceeds from convertible debt	60,000	-	110,000
Net cash provided by financing activities	231,881	654,956	1,211,005
NET DECREASE IN CASH	(5,421)	(5,497)	-
CASH, beginning of period	5,421	10,918	-
CASH, end of period	\$-	\$5,421	\$-

Supplemental disclosures of cash flow information:

- 1) The Company issued 1,666,111 shares of common stock valued at \$91,550 as repayment of amounts due to stockholders and officers as described in Note 6
- 2) The Company issued 100,000 shares of common stock valued at \$7,000 as repayment of accounts payable.
- 3) The Company recorded a liability of \$340,217 for amounts owed as a licensing fee for the license acquisition as described in Note 4
- 4) The Company recorded accrued royalties payable of \$767,651, which represents the present value of the guaranteed minimum payments for the license acquisition as described in Note 4.
- 5) The Company cancelled 1,500,000 shares of common stock valued at 330,000 as a result of the modification of payment terms related to the license acquisition described in Note 4.

The accompanying notes are an integral part of these financial statements

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

NATURE OF OPERATIONS

WaterPure International, Inc. (a development stage company) (the “Company”) was incorporated in the state of Florida on July 22, 2005, for the purpose of marketing selected private label products and services to the small office and/or home office as well as the consumer markets. The Company intends to market and eventually to manufacture the licensed Atmospheric Water Generators from Everest Water Ltd, devices that harvest pure drinking water from ambient air. These machines are engineered to produce drinking water virtually free of any material, bacterial, organic or other contaminants. The Company also intends to market mineral additives that will permit addition of organic minerals, flavors and other desired additives to water produced by the machine. The Atmospheric Water Generators will bear its own exclusive WaterPure branding.

NOTE 2 - GOING CONCERN/MANAGEMENT’S PLAN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has incurred a net loss since its inception totaling \$4,890,357, has earned minimal revenues and has a working capital deficiency as of June 30, 2009. These matters raise substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not include adjustments that might result from the outcome of this uncertainty.

In order to generate revenues and the working capital needed to continue and expand operations, the Company’s management has committed to a plan for increasing retail distribution channels for its products and raising additional capital. There can be no assurances, however, that the Company will be able to obtain the necessary funding to finance their operations or grow revenue in sufficient amounts to fund their operations.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

The Company is considered a development stage company as defined by Statement of Financial Accounting Standards (SFAS) No. 7, as it has no principal operations and/or minimal revenues from any source. Operations from the Company’s inception through June 30, 2009 were devoted primarily to strategic planning, raising capital and developing revenue-generating opportunities.

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 and disclosures in the financial statements. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers financial instruments with a maturity date of three months or less from the date of purchase to be cash equivalents. The Company had no cash equivalents at June 30, 2009 and 2008.

ACCOUNTS RECEIVABLE

The Company makes judgments about the collectability of accounts receivable to be able to present them at their net realizable value on the balance sheet. Such judgments require careful analysis of the aging of customer accounts, consideration of why accounts have not been paid, and review of historical bad debt issues. From this analysis, the Company determines an estimated allowance for receivables that will ultimately become uncollectible. As of June 30, 2009 and 2008, the Company had an allowance for bad debts of \$22,759 and \$2,762, respectively.

F-7

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES

The Company states inventories at the lower of cost or market. As of June 30, 2009 and 2008, inventories consisted of purchased finished goods plus directly attributable acquisition costs. Cost of inventory is determined using the weighted average cost method. The Company assesses the need to establish inventory reserves for excess, obsolete or slow-moving inventory based on changes in customer demand, technology developments and other factors.

LONG-LIVED ASSETS AND OTHER INTANGIBLE ASSETS

The Company accounts for its long-lived assets in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets”, which requires that intangible assets with finite lives be amortized over their respective estimated lives and No. 144, “Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of,” which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If undiscounted expected future cash flows are less than the carrying value of the assets, an impairment loss is to be recognized based on the fair value of the assets.

CONVERTIBLE DEBT

The Company accounts for its convertible debt in accordance with the provisions of Emerging Issues Task Force Issue (“EITF”) 98-5 “Accounting for Convertible Securities with Beneficial Conversion Features,” (“EITF 98-5”) and EITF 00-27 “Application of EITF 98-5 to Certain Convertible Instruments,” which require the embedded beneficial conversion features present in convertible securities be valued separately at issuance and should be recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital.

REVENUE RECOGNITION

The Company recognizes revenue in accordance with Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) No. 104, “Revenue Recognition,” which outlines the four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management’s judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectibility of those fees.

DEFERRED REVENUE

The Company has entered into a number of Master Distributorship Agreements with third-parties where by the third-party will market and sell WaterPure branded machines to customers and resellers. The distributors have entered into a purchase commitment for 2,050 units and have deposited \$101,800, which the Company will apply in \$50 increments towards each WaterPure atmospheric water machine sold and delivered within twenty-four month of the execution of the agreement. The Company has recorded the deposit as deferred revenue, and recognizes the revenue as each machine is sold.

SHIPPING & HANDLING COSTS

Outbound shipping and handling costs are included in cost of goods sold in the accompanying statements of income. These cost were \$5,740 and \$21,602 for the years ended June 30, 2009 and 2008, respectively.

F-8

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Differences between the financial statement and tax bases of assets, liabilities, and other transactions did not result in a provision for current or deferred income taxes for the periods from July 22, 2005 (inception) through June 30, 2009.

CONCENTRATIONS OF CREDIT RISK

The Company's financial instruments that are exposed to a concentration of credit risk are cash and accounts receivable. The Company places its cash with a high credit quality institution. At June 30, 2009, the Company's cash balance on deposit did not exceed federal depository insurance limits. The Company routinely assesses the financial strengths of its customers and, as a result, believes that their accounts receivable, net of reserves, credit risk exposure is limited.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has partially implemented SFAS No. 157, "Fair Value Measurements" for financial assets and financial liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, expands disclosure about fair value measurements and is effective for fiscal years beginning after November 15, 2007, except as it relates to nonrecurring fair value measurements of nonfinancial assets and liabilities. This standard only applies when other standards require or permit the fair value measurements of nonfinancial assets and liabilities. It does not increase the use of fair value measurement. The Company has determined that none of its financial assets or liabilities are measured at fair value on a recurring basis, therefore the disclosures by SFAS No. 157 do not currently apply.

NET LOSS PER COMMON SHARE

The Company presents "basic" earnings (loss) per share and, if applicable, "diluted" earnings per share pursuant to the provisions of SFAS No. 128, Earnings per Share. Basic earnings (loss) per share are calculated by dividing net income or loss by the weighted average number of common shares outstanding during each period.

STOCK BASED COMPENSATION

The Company accounts for equity instruments exchanged for services in accordance with FAS No. 123(R), "Share-Based Payment" and EITF 96-18 "Accounting for Equity Investments That are Issued to Other than Employees for Acquiring or in Conjunction with Selling Goods or Services." Under the provisions of FAS No. 123(R), share-based compensation issued to employees is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period of the grant). Share-based compensation issued to non-employees is measured at grant date, based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more readily measurable, and is recognized as an expense over the requisite service period.

F-9

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2009, the FASB issued SFAS 165, "Subsequent Events" ("SFAS 165"), which establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. In particular, SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements' and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. It is effective for interim and annual periods ending after June 15, 2009. The adoption of SFAS 165 on June 30, 2009 required the Company to disclose the date through which they have evaluated subsequent events and whether that date is the date the financials were issued.

NOTE 4 – INTANGIBLE ASSETS - LICENSE

On December 7, 2007, the Company entered into licensing agreements with Everest Water LTD for the manufacturing and marketing rights to atmospheric water generators and mineral additive units. The Company agreed to pay \$300,000, plus 1,500,000 shares of the Company's common stock valued at \$330,000 as consideration under this agreement. The Company paid \$50,000 with the execution of the agreement and an additional \$10,000 in March 2008. On August 1, 2008 the Company and Everest Water LTD modified their licensing agreement. Under the modified agreement, the Company owes Everest \$430,000 to be paid over 33 months starting September 1, 2008, and 8% royalty payments with guarantee minimum payments as follows: \$50,000 year one, \$60,000 year two, \$70,000 year three, \$90,000 year four and \$100,000 each year thereafter.

The following table summarizes the various components of the Everest license as of June 30, 2009 and 2008:

	2009	2008
Cost of license described above	\$1,094,864	\$1,094,864
Less: accumulated amortization	102,643	38,079
License, net	\$992,221	\$1,056,785

The total amortization expense for the years ended June 30, 2009 and 2008 amounted to \$64,564 and \$38,079, respectively.

Contingencies - Royalties

Pursuant to the licensing agreement as described above, the Company will pay Everest Water LTD an 8% royalty payment with a guarantee minimum payment. The Company has recognized a liability of \$785,053, which represents the present value of the minimum royalty payments using the effective discount rate.

The Company has accounted for the modifications of the licensing agreement as a troubled debt restructuring, and has reflected the net carrying amount of the modified debt consistent with the carrying amount of the original troubled

debt.

NOTE 5 – NOTES PAYABLE

The Company entered into a Securities Purchase Agreement with accredited investors on May 21, 2007 for the issuance of two \$25,000 notes for a total of \$50,000. The notes payable accrue interest at 12% per annum and were due six months from the date of the note. On November 15, 2007, the terms of these notes were extended for an additional six months.

During the year ended June 30, 2008, the Company repaid one of the \$25,000 notes. The other note is currently in default.

F-10

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – ADVANCES FROM OFFICERS AND STOCKHOLDERS

Officers and stockholders of the Company have provided various short-term working capital advances. During the year ended June 30, 2009, short-term working capital advances from officers and stockholders under these borrowing arrangements totaled \$55,176 and \$23,505 respectively. During the year ended June 30, 2008, short-term working capital advances from officers and stockholders under this borrowing arrangement totaled \$84,680 and \$100,963 respectively. The Company issued 1,000,000 shares of common stock as repayment for \$50,000 of the amount due to officers and 666,111 shares of common stock as repayment for \$41,550 of the amount due stockholders on March 21, 2008. The Company does not intend to pay interest on the principal borrowed from officers and stockholders.

The following table summarizes the Company's debt to officers and stockholders as of June 30, 2009 and 2008:

	2009	2008
Advances from officers	\$ 103,229	\$ 98,053
Advances from stockholders	\$ 87,124	\$ 105,169

NOTE 7 – CONVERTIBLE DEBT

The Company entered into a Securities Purchase Agreement with accredited investors on May 21, 2007 for the issuance of an aggregate of \$50,000 of convertible notes ("Convertible Notes"). The Convertible Notes accrue interest at 12% per annum and are due two years from the date of the note. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of \$0.25. In accordance with EITF 98-5, during the year ended June 30, 2007, the Company recorded a debt discount of \$18,750 on the debt, representing the intrinsic value of the beneficial conversion features based upon the difference between the fair value of the underlying common stock at the commitment date and the effective conversion price embedded in the debt. The Company determined the intrinsic value based on the fair value of the Company's common stock at the commitment date. The Company determined the commitment date of the loans to be the date of the agreement.

The Company entered into another Securities Purchase Agreement with accredited investors on July 30, 2008 for the issuance of an aggregate of \$50,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due one year from the date of the note. The note holders have the option to convert any unpaid note principal to the Company's common stock at a 30% discount to the average five day stock price prior to conversion. In accordance with EITF 98-5, during the year ended June 30, 2009, the Company recorded a debt discount of \$15,000 on the debt, representing the intrinsic value of the beneficial conversion features based upon the difference between the fair value of the underlying common stock at the commitment date and the effective conversion price embedded in the debt. The Company determined the commitment date of the loans to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on November 18, 2008 for the issuance of an aggregate of \$10,000 of convertible notes. The convertible notes accrue interest at 12% per annum and are due one year from the date of the note. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of \$0.005 per share. In accordance with EITF 98-5, during the year ended June 30, 2009, the Company recorded a debt discount of \$7,500 on the debt, representing the intrinsic value of the beneficial

conversion features based upon the difference between the fair value of the underlying common stock at the commitment date and the effective conversion price embedded in the debt. The Company determined the commitment date of the loans to be the date of the agreement.

F-11

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - STOCKHOLDERS' EQUITY

The Company had 250,000,000 and 100,000,000 shares of \$.0001 par value common stock authorized at June 30, 2009 and 2008, respectively. Of the authorized shares, 20,150,000 shares of common stock have been issued to the founders of the Company ("founder's shares"). The Company received \$10,000 in cash and \$40,375 in services in consideration of the founder shares.

As of March 31, 2006, the Company completed a private placement to 40 investors and allocated 461,750 shares of common stock at \$0.40 per share ("private placement shares"). The Company received gross proceeds of \$184,700 from the offering. The Company incurred offering costs of \$58,255 and has applied such costs against the proceeds from the offering.

During the year ended June 30, 2007, the Company issued 660,000 shares of its common stock for consulting services for \$622,400. The Company issued 575,000 shares under the Company's S-8 filing. The other 85,000 shares were issued pursuant to Rule 144 promulgated by the Securities and Exchange Commission ("Rule 144").

The fair values of the shares were determined based on the closing market price of the shares at the date of the agreements.

During the year ended June 30, 2008, the Company issued 5,290,000 shares of its common stock for consulting services totaling \$841,504. The Company also redeemed 12,500 shares that had been issued with a value of \$11,875.

During the year ended June 30, 2008, the Company issued 467,626 shares of common stock for \$70,144 due to stockholders.

During the year ended June 30, 2008, in separate transactions, the Company sold in private placements and issued 125,000 shares at \$.40 per share for a total of \$50,000, 4,055,000 shares at \$.10 per share for a total of \$405,500 and 150,000 shares at \$.09 per share for a total of \$13,500. The fair values of the shares were determined based on the closing market price of the shares at the date of the agreements.

During the year ended June 30, 2009, the Company issued 38,436,000 shares of its common stock for consulting services totaling \$700,881.

During the year ended June 30, 2009, the Company issued 1,000,000 shares of common stock for \$50,000 due to officers.

During the year ended June 30, 2009, the Company issued 666,111 shares of common stock for \$41,550 due to stockholders.

During the year ended June 30, 2009, in separate transactions, the Company sold in private placements and issued 250,000 shares at \$.10 per share for a total of \$25,000, 1,000,000 shares at \$.01 for a total of \$10,000, 1,999,999 shares at \$.0075 per share for a total of \$15,000, 11,100,000 shares at \$.005 per share for a total of \$55,500, 500,000 shares at \$.0024 for \$1,200 and 6,000,000 shares at \$.0015 per share for a total of \$9,000.

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – STOCK OPTIONS

At the time of inception (July 22, 2005), the Company issued 125,000 options to one of its consultants for services rendered. The exercise price was \$.0025, the options were immediately exercisable, and expired five years from the grant date. These options were exercised on August 29, 2007.

During the year ended June 30, 2007, the Company issued 500,000 options to one of its executive officers. The exercise price is \$0.55, which was the price of the Company's common stock on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair values of the options were estimated at the date of grant using the Black-Scholes option price model. The Company determined that the stock option compensation was \$231,300 and was recognized during the year ended June 30, 2007.

During the year ended June 30, 2008, the Company issued 100,000 options to one of its executive officers. The exercise price is \$0.07, which was the price of the Company's common stock on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair values of the options were estimated at the date of grant using the Black-Scholes option price model. The Company determined that the stock option compensation was \$6,845 and was recognized during the year ended June 30, 2008.

During the year ended June 30, 2008, the Company also issued 3,000,000 options to one of its executive officers. The exercise price was \$0.10, which is a discount to the price of the Company's common stock price of \$.20 on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair values of the options were estimated at the date of grant using the Black-Scholes option price model. The Company determined that the stock option compensation was \$576,092 and was recognized during the year ended June 30, 2008.

During the year ended June 30, 2009, the Company issued 100,000 options to one of its executive officers. The exercise price is \$0.015, which was the price of the Company's common stock on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair values of the options were estimated at the date of grant using the Black-Scholes option price model. The Company determined that the stock option compensation was \$1,492 and was recognized during the year ended June 30, 2009.

To determine the fair value of the options granted, the Company used the following assumptions in its Black-Scholes option-price calculations:

Issue date	June 30, 2007	January 1, 2008	June 30, 2008	June 30, 2009
Options issued	500,000	3,000,000	100,000	100,000
Risk-free interest rate	5%	3%	3%	3%
Expected option life	5 years	5 years	5 years	5 years
Dividend yield	0%	0%	0%	0%
Volatility	120%	157%	194%	290%
Exercise price	\$ 0.55	\$ 0.10	\$ 0.07	\$ 0.015

These assumptions were determined as follows:

- The risk free interest rate for the period within the contractual life of the option is based on the 5-year U.S. Treasury yield at the time of the grant.

- The expected term of the options granted represents the period of time that the options granted are expected to be outstanding.
- Historically, the Company has not paid a dividend on its common shares and does not expect to do so in the future.
- The volatility assumption represents an expectation of the volatility of the price of the underlying shares for the expected term of the option, considering factors such as historical stock price and stock volatility of other companies within the industry.

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – STOCK OPTIONS (continued)

The following is a summary of the status of stock option activity for the period from inception (July 22, 2005) through June 30, 2009:

	Options	Weighted Average Exercise Price
Outstanding as of July 22, 2005 (inception)	-	\$-
Granted	125,000	0.0025
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2006	125,000	\$0.0025
Granted	500,000	0.5500
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2007	625,000	\$0.4400
Granted	3,100,000	0.0990
Exercised	125,000	0.0025
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2008	3,600,000	\$0.1610
Granted	100,000	.0150
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2009	3,700,000	\$0.1577
Exercisable as of June 30, 2009	3,700,000	\$581,100

125,000 options were exercised and \$313 was received from the exercise of options for the year ended June 30, 2008.

The intrinsic value of the options granted was \$1,492 for the year ended June 30, 2009.

NOTE 10 - RELATED PARTY TRANSACTIONS

LEASE

The Company subleases their office space from Stein, Feldman and Sampson, LLC, of which, Mr. Orr, our Chief Financial Officer is affiliated, for \$500 per month on a month-to-month basis.

DUE TO OFFICERS

Edgar Filing: WaterPure International - Form 10-K

During the year ended June 30, 2009, officers extended cash to the Company in the amount of \$55,176 to fund working capital needs to pay operating expenses. The Company issued 1,000,000 shares of common stock as repayment for \$50,000 of the amount due to officers. The total amount due officers was \$103,229 and \$98,053 as of June 30, 2009 and 2008, respectively. The Company does not intend to pay interest on the amounts borrowed from officers.

F-14

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RELATED PARTY TRANSACTIONS (continued)

DUE TO STOCKHOLDERS

During the year ended June 30, 2009, certain stockholders extended cash to the Company in the amount of \$23,505 to fund working capital needs. The Company issued 666,111 shares of common stock as repayment for \$41,550 of the amount due to stockholders. The total amount due to stockholders was \$87,124 and \$105,169 as of June 30, 2009 and 2008, respectively. The Company does not intend to pay interest on the amounts borrowed from stockholders.

NOTE 11 - INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN No. 48"), on July 1, 2007. FIN No. 48 requires that the impact of tax positions be recognized in the financial statements if they are more likely than not of being sustained upon examination, based on the technical merits of the position. The Company has a valuation allowance against the full amount of its net deferred tax assets. The Company currently provides a valuation allowance against deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. There was no impact to the Company as a result of adopting FIN No. 48 as the Company's management has determined that the Company has no uncertain tax positions requiring recognition under FIN No. 48 both on July 1, 2007 (adoption) and on June 30, 2009 and 2008.

The Company is subject to U.S. federal income tax as well as income tax of certain state jurisdictions. The Company has not been audited by the I.R.S. or any states in connection with income taxes. The periods from inception – 2008 remain open to examination by the I.R.S. and state authorities.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense. Penalties, if incurred, are recognized as a component of tax expense.

Significant items making up the deferred tax assets and deferred tax liabilities are as follows:

	2009	2008
Net deferred tax assets:		
Net operating loss carryforwards	\$ 1,309,000	\$ 920,000
Less valuation allowance	(1,309,000)	(920,000)
Total net deferred tax assets	\$-	\$-

A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized. Accordingly, a valuation allowance was established in 2009 and 2008 for the full amount of the deferred tax assets due to the uncertainty of realization. Management believes that based upon its projection of future taxable operating income for the foreseeable future, it is more likely than not that the Company will not be able to realize the benefit of the deferred tax asset at June 30, 2009. The valuation allowance as of June 30, 2008 was \$920,000. The net change in the valuation allowance during the year ended June 30, 2009 was an increase of \$385,280.

The Company had net operating loss carry-forwards for federal income tax purposes of approximately \$3,850,000 at June 30, 2009. These net operating loss carry-forwards expire at various dates from 2027 through 2028.

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INCOME TAXES (continued)

The Company's effective income tax (benefit) rate for continuing operations differs from the statutory federal income tax benefit rate as follows:

	2009		2008	
Federal Statutory Rate	35	%	35	%
Other	(7) %	(7) %
Valuation allowance	(28) %	(28) %
Effective income tax (benefit) provision rate from continuing operations	-		-	

NOTE 12 – COMMITMENTS

The Company's executive offices are located in Plymouth Meeting, PA. The rent for the office space is \$500 a month, and the Company rents the space on a month-to-month basis.

In June 2007, the Company opened a regional operations center in Florida to accommodate administrative, sales and customer relations' personnel. The Company entered into a month-to-month lease for \$ 543 per month.

The Company owes Everest \$430,000 to be paid over 33 months starting September 1, 2008, and 8% royalty payments with guarantee minimum payments as follows: \$50,000 year one, \$60,000 year two, \$70,000 year three, \$90,000 year four and \$100,000 each year after.

NOTE 13 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 12, 2009, which is the date the financials were issued.

On October 1, 2009, the Company received a \$40,000 deposit for the exclusive rights to sell the WaterPure Atmospheric Water Generators in the country of Mexico.

Effective July 1, 2009, the Company amended a convertible debt agreement with a face amount of \$50,000 originally dated May 21, 2007. The amendment to the agreement calls for payments of principal and interest thereon at the annual rate of 12% per annum of \$5,000 per month through April 1, 2010. As of October 12, 2009 the Company has made only one payment under the amended agreement.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements between the Company and its accountants as to matters which require disclosure.

ITEM 9A(T) – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of June 30, 2009, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses described below, our disclosure controls and procedures are not designed at a reasonable assurance level and are ineffective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is not accumulated nor communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses, which relate to internal control over financial reporting, that were identified are:

We did not have sufficient personnel in our accounting and financial reporting functions. As a result, we were not

a) able to achieve adequate segregation of duties and were not able to provide for adequate reviewing of the financial statements. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis;

We did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience,

b) and training in the application of U.S. GAAP commensurate with our complexity and our financial accounting and reporting requirements. This control deficiency is pervasive in nature. Further, there is a reasonable possibility that material misstatements of the financial statements including disclosures will not be prevented or detected on a timely basis as a result; and

c) We did not document or test our key controls over financial reporting in accordance with Section 404 of the Sarbanes Oxley Act of 2002. As a result, we cannot provide proper recording of the framework for our internal controls nor the results of such controls. There is a reasonable possibility that material misstatements of the financial statements including disclosures will not be prevented or detected on a timely basis without the ability to determine if our testing was properly conducted.

We are committed to improving our financial organization. As part of this commitment, we will create a segregation of duties consistent with control objectives and will look to increase our personnel resources and technical accounting expertise within the accounting function by the end of fiscal 2010 to resolve non-routine or complex accounting matters. In addition, when funds are available to the Company, which we expect to occur by the end of fiscal 2010, we will take the following action to enhance our internal controls: Hiring additional knowledgeable personnel with technical accounting expertise to further support the current accounting personnel at the Company, which management estimates will cost approximately \$75,000 per annum. We will engage outside consultants in the future as necessary in order to ensure proper treatment of non-routine or complex accounting matters. In addition, management is working to establish written procedures to document and test the key controls over financial reporting in accordance with Section 404 of the Sarbanes Oxley Act of 2002.

Management believes that hiring additional knowledgeable personnel with technical accounting expertise will remedy the following material weaknesses: (A) lack of sufficient personnel in our accounting and financial reporting functions to achieve adequate segregation of duties; and (B) insufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of US GAAP commensurate with our complexity and our financial accounting and reporting requirements.

Management believes that the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues we have encountered in the past will result in both proper recording of these transactions and a much more knowledgeable finance department as a whole. Due to the fact that our accounting staff consists of a Chief Financial Officer and an accounting clerk, additional personnel will also ensure the proper segregation of duties and provide more checks and balances within the department. Additional personnel will also provide the cross training needed to support us if personnel turnover issues within the department occur. We believe this will greatly decrease any control and procedure issues we may encounter in the future.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Management's Annual Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management has conducted, with the participation of our Chief Executive Officer and our Chief Financial Officer, an assessment, including testing of the effectiveness of our internal control over financial reporting as of June 30, 2009. Management's assessment of internal control over financial reporting was based on the framework in Internal Control over Financial Reporting – Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, Management concluded that our system of internal control over financial reporting was ineffective as of June 30, 2009.

The effectiveness of our internal control over financial reporting as of June 30, 2009 has not been audited by CCR LLP, our independent registered public accounting firm. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our directors and executive officers and their ages as of the date hereof are as follows:

Name	Age	Position
Paul S. Lipschutz	63	President, Chief Executive Officer and Director
Robert F. Orr	43	Chief Financial Officer and Director

Paul Lipschutz. Mr. Lipschutz has been our President, Chief Executive Officer and a director since July 2005. Since 1992, Mr. Lipschutz has been the Chief Executive Officer and Director of Collectible Concepts Group, Inc. Mr. Lipschutz is a 1967 graduate of The Wharton School of Finance and Commerce of the University of Pennsylvania.

Robert F. Orr. Mr. Orr has been our Chief Financial Officer and Director since July 2005. Since January 1997, Mr. Orr has worked for the accounting firm of Stein, Feldman and Sampson, LLC. Since January, 1999, Mr. Orr has been the Chief Financial Officer of Idayo Investor, a web based financial content provider. Mr. Orr is a graduate from the University of Delaware and a Certified Public Accountant.

Board Committees

We currently do not have any board committees; however, the Board of Directors will form an audit committee at such time as there are at least two independent directors. Our Board of Directors currently acts as our audit, compensation and nominating committees.

Involvement in Certain Legal Proceedings

Our director, executive officer and control person have not been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Section 16(a) Beneficial Owner Reporting Compliance

Since we are governed under Section 15(d) of the Exchange Act, we are not required to file reports of executive officers and directors and persons who own more than 10% of a registered class of our equity securities pursuant to

Section 16(a) of the Exchange Act.

Code of Ethics

We adopted a Code of Ethics for our officers, directors and employees. A copy of the Code of Ethics is incorporated by reference as an exhibit.

18

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following tables set forth certain information regarding our CEO and each of our most highly-compensated executive officers whose total annual salary and bonus for the fiscal years ending June 30, 2009 and 2008 exceeded \$100,000

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Paul S. Lipschutz (President, CEO and Director) (1)	2009	150,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2008	75,000	-0-	-0-	576,092	-0-	-0-	-0-	-0-
Robert F. Orr (CFO and Director)	2009	-0-	-0-	-0-	1,492	-0-	-0-	-0-	-0-
	2008	-0-	-0-	-0-	6,845	-0-	-0-	-0-	-0-

(1) The full amount of compensation due to Mr. Lipschutz has not been paid in the fiscal years ended June 30, 2008 and 2009. We and Paul Lipschutz have agreed to accrue his salary until there is significant cash flow to enable us to pay his salary.

Employment Agreements with Executive Officers

Paul S. Lipschutz

Effective January 1, 2008, we entered into an employment agreement with Paul S. Lipschutz as Chief Executive Officer for a period of three years. Pursuant to the agreement, Mr. Lipschutz receives an annual salary of \$150,000. In addition, Mr. Lipschutz is entitled to receive an annual bonus based upon various criteria targets. Mr. Lipschutz received options to purchase three million shares of our common stock at an exercise price of \$0.10 upon execution of the agreement, which expire five years after issuance. Additionally, Mr. Lipschutz is entitled to participate in any and all benefit plans, from time to time, in effect for executives, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Robert F. Orr

Effective July 1, 2006, we entered into an employment agreement with Robert F. Orr as Chief Financial Officer for a period of five years. Pursuant to the agreement, Mr. Orr received 500,000 options for the fiscal year ended June 30, 2007 and thereafter, receives an annual salary of 100,000 options per year. The options have an exercise price equal

to the closing price of our common stock on June 30 of each year. Additionally, Mr. Orr is entitled to participate in any and all benefit plans, from time to time, in effect for executives, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time-to-time.

Option/SAR Grants in Last Fiscal Year

Name and Position	Number of Units
Paul S. Lipschutz, Chief Executive Officer	-0-
Robert F. Orr, Chief Financial Officer	100,000
Executives as a Group	100,000

Outstanding Equity Awards at Fiscal Year-End Table.

Name	Option Awards				Option Expiration Date	Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Paul S. Lipschutz	3,000,000	-0-	-0-	.100	01/01/2013	-0-	-0-	-0-	-0-
Robert F. Orr	700,000	-0-	-0-	.410	06/30/2012	-0-	-0-	-0-	-0-

Director Compensation

Our directors are elected by the vote of a majority in interest of the holders of our voting stock and hold office until the expiration of the term for which he or she was elected and until a successor has been elected and qualified.

A majority of the authorized number of directors constitutes a quorum of the Board of Directors for the transaction of business. The directors must be present at the meeting to constitute a quorum. However, any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board of Directors individually or collectively consent in writing to the action. We pay \$1,500 in stock per quarter as compensation to our directors plus reimbursement of reasonable expenses incurred in connection with providing

services as a director.

20

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of October 12, 2009.

- by each person who is known by us to beneficially own more than 5% of our common stock;
 - by each of our officers and directors; and
 - by all of our officers and directors as a group.

NAME AND ADDRESS OF OWNER	TITLE OF CLASS	NUMBER OF SHARES OWNED (1)	PERCENTAGE OF CLASS (2)
Paul S. Lipschutz 525 Plymouth Road, Suite 310 Plymouth Meeting, PA	Common Stock	19,162,382 (3)	17.96%
Robert F. Orr 525 Plymouth Road, Suite 310 Plymouth Meeting, PA	Common Stock	6,385,000 (4)	6.11%
All Officers and Directors As a Group (2 persons)	Common Stock	25,547,382 (3) (4)	23.78%

(1) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of October 12, 2009 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) Based upon 103,723,986 shares issued and outstanding on October 12, 2009.

(3) Includes 3,000,000 shares of common stock underlying options currently exercisable. Also includes 4,272,382 shares owned by Paul Lipschutz's spouse.

(4) Includes 700,000 shares of common stock underlying options currently exercisable. Also includes Mr. Orr's 25% ownership interest of two partnerships, each of which owns 5,000 shares of our common stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Set forth below are the related party transactions since June 30, 2007, among WaterPure International Inc. and its shareholders, officers, and/or directors:

Pursuant to the employment agreement with our CFO dated July 1, 2006, we issued 100,000 five year options to Robert Orr. The strike price of the options is equal to the closing price of our stock on June 30, 2008 (the last business day in our fiscal year end) exercise price was \$0.07. We recognized \$6,845 in expense for the issuance of these options.

Pursuant to the employment agreement with our CFO dated July 1, 2006, we issued 100,000 five year options to Robert Orr. The strike price of the options is equal to the closing price of our stock on June 30, 2009 (the last business day in our fiscal year end) exercise price was \$0.015. We recognized \$1,492 in expense for the issuance of these options.

Pursuant to the employment agreement with our CEO dated January 1, 2008, we issued 3,000,000 five-year options to Paul Lipschutz. The exercise price was \$0.10, which is a discount to the price of our common stock price of \$0.20 on the grant date. The options were immediately exercisable and expire five years from the grant date. The fair values of the options were estimated at the date of grant using the Black-Scholes option price model. We determined that the stock option compensation was \$576,092 and was recognized during the year ended June 30, 2008.

Leases

We sublease our office space from Stein, Feldman and Sampson, LLC, of which, Mr. Orr, our Chief Financial Officer is affiliated, for \$500 per month on a month to month basis.

In April 2006, we entered into a sublease for the rental of our office space with Collectible Concepts Group, Inc., of which, Mr. Lipschutz, our Chief Executive Officer is their President, for \$170 per month for a six month period. In October 2007, the lease was extended for an additional twelve months. This lease is no longer in effect as of June 30, 2009.

Loans

During the year ended June 30, 2009, the officers extended cash to us in the amount of \$55,176 to fund working capital needs to pay operating expenses. We issued 1,000,000 shares of common stock as repayment for \$50,000 of the amount due to officers. The total amount due officers was \$103,229 and \$98,053, as of June 30, 2009 and 2008, respectively. We do not intend to pay interest on the amounts borrowed from this officer.

During the year ended June 30, 2009, certain stockholders extended cash to us in the amount of \$23,505 to fund working capital needs. We issued 666,111 shares of common stock as repayment for \$41,550 of the amount due to stockholders. The total amount due to stockholders was \$87,124 and \$105,169 as of June 30, 2009 and 2008, respectively. We do not intend to pay interest on the amounts borrowed from these stockholders.

Procedures for Approval of Related Party Transactions

Our board of directors is charged with reviewing and approving all potential related party transactions. All such related party transactions must then be reported under applicable SEC rules. We have not adopted other procedures for review, or standards for approval, of such transactions, but instead review them on a case-by-case basis.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The aggregate fees billed by our auditors for professional services rendered for the audit of our annual financial statements during the years ended June 30, 2009 and 2008, and for the reviews of the financial statements included in our Quarterly Reports on Forms 10Q and 10-QSB during the fiscal years, were \$44,542 and \$51,526, respectively.

Audit-Related Fees

There were no audit related fees during the fiscal years ended June 30, 2009 and 2008 for audit related services.

Tax Fees

There were no tax related fees during the fiscal years ended June 30, 2009 and 2008 for tax compliance or tax consulting services.

All Other Fees

Our independent registered public accounting firm did not bill us during fiscal years ended June 30, 2009 or 2008 for other services.

The Board of Directors has considered whether the provision of non-audit services is compatible with maintaining the principal accountant's independence.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits:

3.1 Articles of Incorporation, filed as an exhibit to the registration statement on Form SB-2 filed with the Securities and Exchange Commission on July 14, 2006 and incorporated herein by reference.

3.2 By-laws, filed as an exhibit to the registration statement on Form SB-2 filed with the Securities and Exchange Commission on July 14, 2006 and incorporated herein by reference.

3.3 Certificate of Amendment to the Articles of Incorporation, filed as an exhibit to the registration statement on Form SB-2 filed with the Securities and Exchange Commission on July 14, 2006 and incorporated herein by reference.

3.4 Certificate of Amendment to the Articles of Incorporation, filed as an exhibit to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 20, 2009 and incorporated herein by reference.

10.1 Employment Agreement by and between WaterPure International, Inc. and Paul S. Lipschutz, dated as of January 1, 2008.

10.2 Employment Agreement by and between WaterPure International, Inc. and Robert F. Orr, dated as of July 1, 2006.

10.3 License Agreement by and between WaterPure International, Inc. and Everest Water Ltd., dated as of December 7, 2007.

10.4 Amendment to License Agreement by and between WaterPure International, Inc. and Everest Water Ltd., dated as of August 1, 2008.

14.1 Code of Ethics, filed as an exhibit to the annual report on Form 10-KSB filed with the Securities and Exchange Commission on September 28, 2007 and incorporated herein by reference.

31.01 Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.02 Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.01 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WATERPURE INTERNATIONAL, INC.

Date: October 13, 2009

By: /s/ PAUL S. LIPSCHUTZ
Paul S. Lipschutz
Chief Executive Officer (Principal Executive Officer)

Date: October 13, 2009

By: /s/ ROBERT F. ORR
Robert F. Orr
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
<u>/s/ PAUL S. LIPSCHUTZ</u> Paul S. Lipschutz	Chief Executive Officer (Principal Executive Officer) and Director	October 13, 2009
<u>/s/ ROBERT F. ORR</u> Robert F. Orr	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	October 13, 2009