

EAU TECHNOLOGIES, INC.
Form 10-Q
August 14, 2014

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2014

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

000-51807
(Commission File No.)

EAU TECHNOLOGIES, INC.
(exact name of registrant as specified in its charter)
87-0654478
(I.R.S. Employer Identification No.)

Delaware
(State or other jurisdiction of incorporation or organization)
1890 Cobb International Blvd, Suite A,
Kennesaw Georgia
(Address of principal executive offices)

30152
(Zip Code)

Issuer's telephone number: (678) 388-9492

Check whether the issuer (1) 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 No

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 (§232.405 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 No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of August 12, 2014, the Registrant had 28,575,371 shares of Common Stock, \$0.0001 par value outstanding.

EAU TECHNOLOGIES, INC.
 QUARTERLY REPORT ON FORM 10-Q
 June 30, 2014

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PART I - FINANCIAL INFORMATION

EAU TECHNOLOGIES, INC.

BALANCE SHEETS

ASSETS

	June 30, 2014	December 31, 2013
CURRENT ASSETS	(Unaudited)	
Cash	\$ 131,286	\$ 2,654
Accounts receivable, net	7,673	29,705
Accounts receivable – related party, net	2,996	1,500
Prepaid expense	20,707	60,210
Inventory, net	594,712	653,967
Total current assets	757,374	748,036
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$120,721 and \$120,721	-	-
OTHER ASSETS		
Intellectual property, net	127,336	123,547
Total other assets	127,336	123,547
Total assets	\$ 884,710	\$ 871,583

See notes to financial statements.

EAU TECHNOLOGIES, INC.

BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	June 30, 2014	December 31, 2013
CURRENT LIABILITIES	(Unaudited)	
Accounts payable	\$ 184,428	\$ 325,623
Accrued expenses	55,390	41,098
Accrued interest	2,314,093	2,043,671
Warranty reserve	160,000	160,000
Advance deposits on machine orders	356,915	554,618
Advance deposits on machine orders – related party	433,540	433,540
Short term notes payable – related party	130,000	130,000
Unsecured short term advances – related party	565,000	5,000
Convertible notes payable – related party, net of discounts of \$26,539 and \$0, respectively	4,960,288	4,986,827
Total current liabilities	9,159,654	8,680,377
LONG TERM LIABILITIES		
Total long term liabilities	-	-
Total liabilities	9,159,654	8,680,377
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$.0001 par value; 50,000,000 shares authorized; 28,575,371 and 28,575,371 issued and outstanding, respectively	2,858	2,858
Additional paid in capital	45,725,159	45,681,729
Accumulated deficit	(54,002,961)	(53,493,381)
Total stockholders' equity (deficit)	(8,274,944)	(7,808,794)
Total liabilities and stockholders' equity (deficit)	\$ 884,710	\$ 871,583

See notes to financial statements.

EAU TECHNOLOGIES, INC.

UNAUDITED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
NET REVENUES – RELATED PARTY	\$ 1,496	\$-	\$ 1,496	\$ 88,473
NET REVENUES	304,455	714,787	795,429	1,258,167
TOTAL REVENUES	305,951	714,787	796,925	1,346,640
COST OF GOODS SOLD	109,193	589,667	277,912	879,182
GROSS PROFIT	196,758	125,120	519,013	467,458
OPERATING EXPENSES				
Depreciation and amortization	339	339	678	678
Research and development	-	1,000	-	9,838
General and administrative	369,056	445,482	745,982	927,672
Total operating expenses	369,395	446,821	746,660	938,188
LOSS FROM OPERATIONS	(172,637)	(321,701)	(227,647)	(470,730)
OTHER INCOME (EXPENSE)				
Interest expense	(153,288)	(142,309)	(286,767)	(276,183)
Interest income	9	49	34	146
Rental Income	2,400	-	4,800	-
Impairment of leased equipment	-	(301,474)	-	(301,474)
Total other income (expense)	(150,879)	(443,734)	(281,933)	(577,511)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(323,516)	(765,435)	(509,580)	(1,048,241)
PROVISION FOR INCOME TAXES	-	-	-	-
NET LOSS	\$(323,516)	\$(765,435)	\$(509,580)	\$(1,048,241)
NET LOSS PER SHARE	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.04)
WEIGHTED AVERAGE OF SHARES OUTSTANDING	28,575,371	28,567,460	28,575,371	28,567,460

See notes to financial statements.

EAU TECHNOLOGIES, INC.

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK

	SHARES	AMOUNT	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balance, December 31, 2013	28,575,371	\$ 2,858	\$ 45,681,729	\$ (53,493,381)	\$ (7,808,794)
Vesting of options for services (unaudited)	-	-	968	-	968
Issuance of warrants in connection with Note Payable (unaudited)	-	-	42,462	-	42,462
Net loss for the six months ended June 30, 2014 (unaudited)	-	-	-	(509,580)	(509,580)
Balance, June 30, 2014 (unaudited)	28,575,371	\$ 2,858	\$ 45,725,159	\$ (54,002,961)	\$ (8,274,944)

See notes to financial statements.

EAU TECHNOLOGIES, INC.

UNAUDITED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(509,580)	\$(1,048,241)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	678	678
Warrants and options vested or issued for services	968	31,936
Discount of note payable	15,923	35,697
Impairment of leased equipment	-	301,474
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	22,032	(21,194)
(Increase) decrease in accounts receivable – related party	(1,496)	4,000
Decrease in prepaid expense	39,503	769
Decrease in inventory	59,255	387,463
Decrease in deposits	-	144,273
Increase (decrease) in accounts payable	(141,195)	15,716
(Decrease) in warranty reserve	-	15,000
(Decrease) in advance deposits for machine orders	(197,703)	(679,102)
(Decrease) in advance deposits for machine orders – related party	-	(38,494)
Increase in accrued expenses	14,292	4,496
Increase in accrued interest	270,422	235,677
Net cash (used) in operating activities	(426,901)	(609,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intellectual property	(4,467)	(5,436)
Net cash (used) in investing activities	(4,467)	(5,436)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unsecured short term advances - related party	560,000	130,000
Net cash provided by financing activities	560,000	130,000
NET INCREASE (DECREASE) IN CASH	128,632	(485,288)
Cash, beginning of period	2,654	753,348
Cash, end of period	\$ 131,286	\$ 268,060

See notes to financial statements.

EAU TECHNOLOGIES, INC.
UNAUDITED STATEMENTS OF CASH FLOWS
(Continued)

	Six Months Ended June 30,	
	2014	2013
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$422	\$4,809
Income taxes	\$-	\$-

See notes to financial statements.

EAU TECHNOLOGIES, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying condensed financial statements were prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In management's opinion all necessary adjustments, which consist primarily of normal recurring adjustments, to the financial statements have been made to present fairly the financial position and results of operations and cash flows. The results of operations for the respective periods presented are not necessarily indicative of the results for the respective complete years. The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Certain prior period amounts have been reclassified in the condensed financial statements to conform to current period presentation.

NOTE 2 - INVENTORIES

The composition of inventories is as follows at:

	June 30, 2014	December 31, 2013
Finished goods	\$507,105	\$536,207
Raw materials	603,862	634,015
Allowance for obsolete inventory	(516,255)	(516,255)
	\$594,712	\$653,967

NOTE 3 – WARRANTY RESERVE

The Company warrants its products against defects in materials and workmanship for a period of three years. The Company reviews the historical experience of failure rates and estimates the rate of warranty claims that will be made and has accrued a warranty reserve for these anticipated future warranty costs. If actual results differ from the estimates, the Company would adjust the estimated warranty liability. Changes in the warranty reserve for the six months ended June 30, 2014, and for the year ended December 31, 2013 are as follows:

	June 30, 2014	December 31, 2013
Warranty reserve at beginning of period	\$160,000	\$145,000
Costs accrued for additional warranties	-	16,864
Service obligations honored	-	(1,864)
Warranty reserve at end of period	\$160,000	\$160,000

EAU TECHNOLOGIES, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 4 - CONVERTIBLE NOTES PAYABLE – RELATED PARTIES

At various times throughout 2013, funds totaling \$303,300 were advanced to the Company by Mr. Ullrich, a related party. In April 2014, the Company entered into a loan agreement with this related party which formalized those advances into a note payable. This balance has been included on the balance sheet in related party notes payable as of December 31, 2013. The loan agreement provides for interest at a rate of 10% annually and will mature on November 30, 2014. The outstanding balance under the Loan Agreement is convertible into shares of the Company's common stock at \$0.31 per share and no principal or interest payments are due until maturity. The Loan Agreement provides that accrued interest and the outstanding principal balance can be prepaid, in whole or in part, at any time without premium or penalty. In connection with the negotiation of the Loan Agreement, the Company also granted a warrant to purchase up to 303,300 shares of the Company's common stock at an exercise of \$0.31 per share. The warrant expires in April 2019.

In May 2013, the Company entered into Promissory Notes ("Promissory Notes") with Peter Ullrich and Theodore Jacoby, related parties. Mr. Ullrich agreed to lend the Company \$80,000 and Mr. Jacoby agreed to lend the Company \$50,000. The Promissory Notes provide for interest at a rate of 10% annually and had a maturity date of November 15, 2013. No principal or interest payments are due until maturity. The Promissory Notes provide that accrued interest and the outstanding principal balance can be prepaid, in whole or in part, at any time without premium or penalty. In November 2013, the Company entered into Amended Promissory Note agreements to extend the notes from November 2013 to May 2014. The Company entered into new agreements to extend the notes maturity date to May 2015.

In January 2013, the Company entered into a loan agreement with a related party. The principal amount of the Note is \$1,325,000. The funds had been advanced to the Company at various times throughout 2012. The Loan Agreement provides for interest at a rate of 10% annually and will mature on November 30, 2013. The outstanding balance under the Loan Agreement is convertible into shares of the Company's common stock at \$0.31 per share and no principal or interest payments are due until maturity. The Loan Agreement provides that accrued interest and the outstanding principal balance can be prepaid, in whole or in part, at any time without premium or penalty. In connection with the negotiation of the Loan Agreement, the Company also granted a warrant to purchase up to 1,325,000 shares of the Company's common stock at an exercise of \$0.31 per share. The warrant expires on January 31, 2018. Due to the warrants issued in connection with the loan, the Company recognized a debt discount of \$26,500 in interest expense. The Company also recognized approximately \$26,500 in interest expense related to the amortization of this debt discount.

In September 2005, the Company entered into a Senior Convertible Note (the "Note") with Water Science, a related party, in exchange for \$3,000,000. Pursuant to the debt agreement, the Note accrues interest at the rate of 3% per annum and was initially due, principal and interest together, on September 16, 2008. In June 2008, Water Science agreed to extend the maturity date of the Note to March 16, 2009. In March 2009, the Company and Water Science agreed to extend the maturity date to September 16, 2009 and increase the interest rate to 10%. No principal or interest payments need to be paid during the loan period. In October 2008, as part of a new financing agreement, the Company amended the Note and changed the conversion rate from \$3.00 per share to \$1.00 per share.

The Note may be converted into 3,000,000 shares of the Company's \$0.0001 par value common stock prior to the maturity date, and at any time, by the holder at a price per share equal to \$1.00 per share, subject to certain other conversion adjustments. The Company granted a security interest in all of the Company's assets as collateral for the

loan. In connection with the original issuance of the Note, the Company granted a three year warrant to purchase up to two million shares of the Company's \$0.0001 par value common stock with an exercise price of \$2.76 per share.

EAU TECHNOLOGIES, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 4 - CONVERTIBLE NOTES PAYABLE – RELATED PARTIES (continued)

In August 2009 and October 2010, the Company entered into agreements with Water Science, a related party, to extend the maturity dates of the Note from September 16, 2009 to November 1, 2010 and to December 1, 2011, respectively.

In December 2011, the Company and Water Science agreed to again extend the maturity date of the Note this time to November 30, 2013.

In December 2011, the Company entered into an agreement to convert \$358,527 of accrued interest into a new convertible note. Simple interest will accrue at a rate of 10% per annum on the unpaid principal amount outstanding and the loan will mature on November 30, 2013, at which time accrued interest and the outstanding principal balance shall be due. The agreement contains an optional conversion right, whereby the Lender may convert all or any portion of the outstanding principal and interest due into shares of the Company's common stock at a price per share equal to \$1.00 per share. In connection with the issuance of the convertible note, the Company granted a five year warrant to purchase up to 358,527 shares of the Company's \$0.0001 par value common stock with an exercise price of \$0.31 per share.

In April 2014, the Company entered into agreements with Water Science and Mr. Ullrich to extend the Senior Convertible Note, the \$358,527 Note and the \$1,325,000 Note until November 30, 2014.

NOTE 5 – RELATED PARTY TRANSACTIONS

Sales to Affiliates – In September 2005, Water Science, a related party, paid to the Company \$1,000,000 for the exclusive rights to sell our products in South America and Mexico. This agreement also gives Water Science the rights to purchase machinery from the Company at cost plus 25 percent. The Company had sales of \$1,496 and \$88,473 to Water Science during the six months ended June 30, 2014 and 2013. The Company has received and recorded \$433,540 in advance deposits from Water Science on machine orders at June 30, 2014.

Convertible Notes Payable – See Note 4 for disclosure of related party Convertible Notes Payable.

Advances – Periodically throughout the year, the Company advances employees cash for certain reimbursable expenses. As of June 30, 2014 and December 31, 2013, the Company had advances to an employee in the amount of \$1,500 and \$1,500, respectively.

Unsecured Short Term Advances – In January, May, June and July 2014, the Company obtained unsecured short term advances of \$285,000, \$75,000, \$100,000 and \$100,000 from Peter Ullrich, a member of the Board of Directors of the Company. The final agreement to document the advances has not been signed, and the material terms are not final. It is anticipated that the final loan will be at 10% simple interest and conversion rights into Company common stock. The material terms of the final agreement will be disclosed in subsequent filings with the Securities and Exchange Commission.

NOTE 6 – CAPITAL STOCK

The Company has certain notes payable to related parties that are convertible into shares of the Company's common stock. See Note 4.

In April 2014, the Company entered into a Loan Agreement with Peter Ullrich, a member of the Board of Directors of the Company. In connection with the Loan Agreement, the Company granted a warrant to purchase up to 303,300 shares of the Company's common stock at an exercise of \$0.31 per share. The warrant expires in April 2019. See Note 4.

EAU TECHNOLOGIES, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 6 – CAPITAL STOCK (continued)

In January 2013, the Compensation Committee of the Board of Directors of the Company authorized the Company to grant each director 96,775 warrants for the purchase of common stock at \$0.31 per share for the current year compensation for the year of service the director will serve as a member of the Board of Directors, pursuant to the Company's Board of Directors compensation plan. The option will vest ratably over a period of two years from the date of when the option was granted. These grants were made pursuant to the annual directors' compensation program approved by the Board in December 2007.

NOTE 7 – GOING CONCERN

At June 30, 2014 the Company had deficit working capital, deficit equity and has sustained recurring losses from operations, all of which raise substantial doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. However, as a result of recurring operating losses, such realization of assets and satisfaction of liabilities are subject to uncertainty, which raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our auditors have issued their Independent Registered Public Accountants' Report on the Company's financial statements for the fiscal year ended December 31, 2013 with an explanatory paragraph regarding the Company's ability to continue as a going concern.

The Company estimates that it may need up to \$1,500,000 for the upcoming twelve months to execute our business plan. Management plans to mitigate its losses in the near term through the further development and marketing of its trademarks, brand and product offerings.

NOTE 8 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables – Receivables represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and are reduced to their estimated net realizable value. The Company estimates allowances for doubtful accounts based on the aged receivable balances and historical losses. The Company charges off uncollectible accounts receivable when management estimates no possibility of collecting the related receivable.

Basic and Fully Diluted Loss Per Share - Basic and Fully Diluted net loss per share is computed using the weighted-average number of common shares outstanding during the period.

	For the Three Months		For the Six Months Ended	
	Ended June 30,		June 30,	
	2014	2013	2014	2013
Net Income (loss) (numerator)	\$(323,516)	\$(765,435)	\$(509,580)	\$(1,048,241)
Shares (denominator)	28,575,371	28,567,460	28,575,371	28,567,460
Per share amount	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.04)

The Company's outstanding stock options and warrants have been excluded from the basic net loss per share calculation for the three month period ended June 30, 2014 and 2013, because they are anti-dilutive.

EAU TECHNOLOGIES, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 8 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock Based-Compensation Expense

Stock-based compensation is calculated according to FASB ASC Topic 718, Compensation — Stock Compensation, which requires a fair-value-based measurement method to account for stock-based compensation. The Company uses the Binomial valuation formula, which is a closed-form model that uses an equation to determine the estimated fair value of stock options. Stock-based compensation expense recognized for the three month period ended June 30, 2014 and 2013 was \$968 and \$31,936 respectively, related to employee and director stock options issued and vesting during the period.

The following table is a summary of the status of the warrants and options granted and outstanding at June 30, 2014:

	Number of Options and Warrants	Weighted Average Exercise Price
Outstanding at beginning of period	6,609,854	\$0.31
Granted	303,300	\$0.31
Exercised	-	\$-
Forfeited	-	\$-
Expired	-	\$-
Outstanding at end of period	6,913,154	\$0.31

A summary of the status of the warrants and options outstanding at June 30, 2014 is presented below:

Range of Exercise Prices	Outstanding		Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$.01-.50	6,913,154	3.8 years	\$ 0.31	6,719,604	\$ 0.31

The fair value of each warrant and option granted is estimated on the date granted using the Binomial pricing model.

NOTE 9 – SUBSEQUENT EVENTS

In July 2014, the Company obtained an unsecured short term advance of \$100,000 from Peter Ullrich a member of the Board of Directors of the Company. The final agreement to document the advances has not been signed, and the material terms are not final. It is anticipated that the final loan will be at 10% simple interest and conversion rights into Company common stock. The material terms of the final agreement will be disclosed in subsequent filings with the Securities and Exchange Commission.

On July 14, 2014, the Board of Directors (“Board”) of the Company accepted the resignation of Wade R. Bradley as the Company’s President and Chief Executive Officer, to be effective as of July 22, 2014.

In August 2014, the Company entered into agreements with two related parties to extend two promissory notes until May 2015. All other terms of the note remains unchanged.

EAU TECHNOLOGIES, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 9 – SUBSEQUENT EVENTS (continued)

In accordance with ASC 855, management evaluated events subsequent to June 30, 2014 and concluded there were no other events or transactions during this period that required recognition or disclosure in its financial statements.

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

The following discussion and analysis provides information, which management believes is relevant to an assessment and understanding of the Company's condensed results of operations and financial condition. The discussion should be read in conjunction with the financial statements included in our annual report on Form 10-K, and notes thereto.

Overview

EAU TECHNOLOGIES, INC., (referred to herein sometimes as "EAU," "we," "us," or the "Company"), is in the business of developing, manufacturing and marketing equipment that uses water electrolysis to create non-toxic cleaning and disinfecting fluids for food safety applications as well as dairy drinking water. These fluids have various commercial applications and may be used in commercial food processing and agricultural products that clean, disinfect, remediate and hydrate. The processes for which these fluids may be used are referred to in this Report (the "Report") as the "EW Technology." For example, we believe that our food and agricultural treatment products may be used to systemically treat various facets and phases of the food chain, from grow-out to downstream food, to cleaning and sanitizing food production equipment, by eliminating dangerous and unhealthy pathogens from the food chain with our highly effective solutions. We make the claim that our products are "non-toxic". We can do this because at the levels we employ our technology in commercial applications, as well as studies both internal and through third parties shows no toxicity. At the levels employed, the fluids and products are environmentally safe and non-toxic and do not contain or leave harmful residues. The electrolyzed water fluids created by the EW Technology (referred to herein sometimes as the "EW Fluids" or "Empowered Water™") generated by our specialized equipment can be used in place of many of the traditional products used in commercial, industrial and residential disinfecting and cleaning.

Our focus is on our three core competencies which are, producing high volumes of electrolyzed water, controlling the properties of the water and using our application knowledge. Because of our ability to produce high volumes of water and control the water properties, our target market is in commercial applications where we believe we can add value by generating measurable productivity, employee safety and efficiency gains. We will continue to use a disciplined stage gate development process that drives ideas to commercial test installations that turn into revenues. Once we have developed an application we will attempt to find strategic partners that would be able to assist us with a large scale commercial roll-out of the technology.

We have identified the following industries for early stage sales and marketing focus: 1) food and beverage processing, 2) dairy production and processing, 3) meat and poultry processing and 4) agricultural grow-out and processing ("Primary Markets"). As of the date of this Report, the Company was focused on these markets because we believe that for each of these markets we have a competitive advantage, the potential ability to attract a leading strategic industry partner, or we can provide an attractive value-added proposition. To penetrate these markets, EAU is conducting trials and completing commercial installations that are leading to partnerships with enterprises that can assist in rolling the technology out on a large scale.

Food and Beverage Processing. In 2008 we installed our equipment to test a clean-in-place (CIP) application with an international beverage bottling company for use with cold beverages. There were three stages of this trial that were conducted simultaneously: 1) Syrup tanks; 2) Bag in box line and; 3) Bottling line. The purpose of the trial was to identify whether EAU's non-toxic ambient temperature Empowered Waters could replace current 3-5 step CIP processes. In order to become an approved technology for this bottling company, EAU had to show cleaning performance, good antimicrobial efficacy, no negative smell or taste impacts, and improved CIP efficiency.

Results showed Empowered Water™ was able to improve current cleaning and sanitizing efficacy, minimizing the use of commercial chemicals while complying with microbiological integrity and sensory testing requirements. Testing also identified water and energy consumption savings as well as significant timesaving that can increase bottling

production line availability.

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In August 2010, following the successful tests, the Company received its first purchase orders from the international beverage company. EAU installed its environmentally friendly Empowered Water™ CIP Systems at three of the company's bottling plants and recorded revenue from the sale of these systems during the first quarter 2011. The Company received an additional order for this same bottling company in 2012 for one of its largest bottling plants. Because of the success we have achieved in this application, we began testing with another International Bottler of soft drinks and have achieved similar success in duplicating results with that company. EAU is now an approved CIP application with both International Bottling companies and is marketing to both companies' bottling operations in North America.

Upon the successful installations and as part of the Company's plans to find a strategic industry partner, the Company entered into a non-exclusive commercial relationship with an international manufacturer of food processing equipment. In connection with the agreement the company ordered two Empowered Water Generator systems. We shipped the systems during the fourth quarter of 2011. The systems were used for customer product testing and on-site customer validation. Following the successful tests and validations, the company placed multiple orders for our equipment. During 2013, we shipped six new systems. During the first six months of 2014, we completed 2 new systems. We expect sales to this partner to decrease over the next few months. We have seen interest and successful trials, and will continue to pursue sales through other distributors.

Dairy Production and Processing. The Company commenced hydration and production tests on dairy cattle in 2006. Multiple on-site trials and University studies were performed. Initial results indicated an increase in milk production and milk fat while maintaining the protein content. We recognized revenues from the sale of this system during 2011. We are no longer receiving revenues from this market.

Meat and Poultry Processing. We began testing of our EW Technology and EW Fluids (the "EW System") in poultry processing in 2005. Over the course of the next three years, we showed significant results in killing salmonella on the processed poultry. Independent testing analysis revealed pre-chill microbial reduction was significantly below the Food Safety Inspection Services (the enforcement arm of the USDA) allowable limit at that time. From these results we successfully completed Phase I of our USDA Online Reprocessing ("OLR") Certification. In 2008, we completed the OLR data gathering stage at Fieldale Farms ("Fieldale") a poultry plant in northern Georgia and submitted our findings to the USDA for OLR approval. EAU received a letter from the USDA approving our fluids for use in the plant for OLR applications.

In 2009 we began receiving revenues of approximately \$27,500 per month from Fieldale. Per the terms of the agreement, we were to help the plant achieve Category 1 compliance for post-chill microbial performance. The plant completed a USDA test set October 2009 with the result that it met the Category 1 requirements for that test set. Fieldale indicated that it was suspending the agreement as of November 23, 2009 and ceased making payments. In February 2011, the Company filed a complaint in the Superior Court of Cobb County Georgia against Fieldale for breaching the agreement. (See Part II, Item 1 - Legal Proceedings.) We no longer receive revenues from this market.

Agriculture. In 2006 we made initial sales to Water Science, LLC, a Florida limited liability company ("Water Science") for the Latin American markets. Water Science is a major shareholder of the Company and its managing member, Peter Ullrich, is a director of our company. We have shipped multiple systems to Ecuador, Mexico, Columbia, Costa Rica and Holland for trials and Water Science internal use, including six new systems in 2012 and one more in the first quarter of 2013. Water Science is utilizing the technology for its own flower and agricultural endeavors. Further studies are being done as each country that has the Empowered Water™ technology ramps up for their own outside sales efforts.

Patents. We have obtained patent protection on four separate uses of electrolyzed fluids (cleaning and disinfecting eggs, carpet cleaning, mold remediation and poultry processing). The Company received notification that it was granted a process patent in New Zealand for the use of electrolyzed water in the assistance of rumen digestion in dairy cows. The similar process patent is pending in the United States. Those applications are how the fluids are used and how they are stabilized for use in different applications. Additionally, we have a patent pending on the electrolysis equipment and several provisional patent pending applications filed to protect new processes and products, as described herein.

Financial Position and Results of Operations

The following discussion should be read in conjunction with selected financial data and the financial statements and notes to financial statements.

Financial Position

The Company had \$131,286 in cash as of June 30, 2014, compared to \$2,654 at December 31, 2013. The Company has received and recorded approximately \$790,500 in advance deposits on orders for our equipment as of June 30, 2014. We expect the deposits will be reduced as the Company delivers machines on order to our customers during the second half of 2014. At June 30, 2014 our stockholders' deficit was \$8,274,944, compared to \$7,808,794 at December 31, 2013.

Results of Operations for the Three months ended June 30, 2014 and 2013

Revenues and Net Loss - Net revenues for the three months ended June 30, 2014, decreased by \$408,836, to \$305,951 compared to revenues of \$714,787 for the three months ended June 30, 2013. The majority of the revenues are from the sale of our EW water systems in the Clean-in-Place ("CIP") market and the agriculture and dairy markets. We expect revenues to continue to fluctuate as we establish our products in the CIP and dairy markets.

Our cost of sales decreased from \$589,667 for the three months ended June 30, 2013 to \$109,193 for the three months ended June 30, 2014. This decrease is attributable to the decreased sales of our EW water systems.

For the three months ended June 30, 2014, the Company had a net loss of \$323,516, compared to a net loss of \$765,435 for the three months ended June 30, 2013. This decrease of approximately \$440,000 of net losses is primarily due to a loss sustained in 2013 on impaired leased equipment and lower operating expenses.

General and Administrative Expense – The Company incurred total general and administrative expenses for the three months ended June 30, 2014 of \$369,056, a decrease of \$77,765 from the \$446,821 incurred in 2013. General and administrative expenses for 2014 consist primarily of payroll and labor expense of approximately \$223,000, rent expense of \$23,000, professional fees of \$22,000, and insurance expense of \$81,000.

Research and Development - Our research and development expenses for the three months ended June 30, 2014 and 2013 were \$0 and \$1,000. We expect to continue to have minimal research and development expenses during 2014.

Interest Expense - Our interest expense remained largely unchanged from the prior year. Interest expense in 2014 was \$153,288 compared to \$142,309 in 2013. The Company continues to rely on notes and advances for operating funds and expects to continue to incur significant interest expenses.

Results of Operations for the Six months ended June 30, 2014 and 2013

Revenues and Net Loss - Net revenues for the six months ended June 30, 2014, decreased by \$549,715, to \$796,925 compared to revenues of \$1,346,640 for the three months ended June 30, 2013. The majority of the revenues are from the sale of our EW water systems in the Clean-in-Place ("CIP") market and the agriculture and dairy markets. We expect revenues to continue to fluctuate as we establish our products in the CIP and dairy markets.

Our cost of sales decreased from \$879,182 for the six months ended June 30, 2013 to \$277,912 for the three months ended June 30, 2014. This decrease is attributable to the decreased sales of our EW water systems.

For the six months ended June 30, 2014, the Company had a net loss of \$509,580, compared to a net loss of \$1,048,241 for the six months ended June 30, 2013. This decrease of approximately \$532,000 of net losses is primarily due to lower operating expenses and a loss sustained in 2013 on impaired leased equipment.

General and Administrative Expense – The Company incurred total general and administrative expenses for the six months ended June 30, 2014 of \$745,982, a decrease of \$181,690 from the \$927,672 incurred in 2013. General and administrative expenses for 2014 consist primarily of payroll and labor expense of approximately \$447,000, rent expense of \$45,000, professional fees of \$50,000, and insurance expense of \$139,000.

Research and Development - Our research and development expenses for the three months ended June 30, 2014 and 2013 were \$0 and \$9,838. We expect to continue to have minimal research and development expenses during 2014.

Interest Expense - Our interest expense remained largely unchanged from the prior year. Interest expense in 2014 was \$286,767 compared to \$276,183 in 2013. The Company continues to rely on notes and advances for operating funds and expects to continue to incur significant interest expenses.

Liquidity and Capital Resources

We do not receive sufficient revenues to fund all of our operational needs. The majority of our additional funding has come from a single shareholder. We currently do not have sufficient funds on hand to fund all of our operational needs for the next 12 months. We will have sufficient funds to operate our business only if we receive expected orders from our customers and we are able to secure additional funding. We do not have any agreements in place for additional funding. We may not have enough funding for operations to fund our business until it is developed enough to bring the business plan to maturity. Our working capital requirements for the foreseeable future will vary based upon a number of factors, including, our timing in the implementation of our business plan, our growth rate and the level of our revenues. We project \$1,500,000 is required over the next twelve months to execute our business plan. Moreover, if we able to expand our sale of EW machines as anticipated, we may need significant additional working capital to fund that expansion. We do not have arrangements in place to provide us with this funding or any additional funding. In light of these circumstances, the ability of the Company to continue as a going concern is in substantial doubt.

The Company had \$131,286 in cash as of June 30, 2014, compared to \$2,654 at December 31, 2013. We have had continuing losses of \$509,580 for the six months ended June 30, 2014, compared with losses of \$1,048,241 for the six months ended June 30, 2013. The net loss per share for the first six months of 2014 and 2013 was \$0.02 and \$0.04 per share, respectively.

Net cash used in operating activities in the three month period ended June 30, 2014 was \$426,901 compared to \$609,852 for the same period in 2013. The majority of the change in cash used for the current period was related to the decrease in the advance deposits for machine orders in 2014 as compared to 2013. At June 30, 2014 we had total deposits outstanding of \$790,500.

At June 30, 2014, the Company's net inventory was \$594,712, representing a decrease of approximately \$60,000, from the \$653,967 on hand at December 31, 2013.

The Company's only cash flows from investing activities were from expenditures related to intellectual property of \$4,467 and \$5,436 during the periods ended June 30, 2014 and 2013, respectively.

Cash flows from financing activities provided the Company \$560,000 for the period ended June 30, 2014, which consisted of unsecured short term advances. The Company received proceeds of \$130,000 from unsecured advances during the six months ended June 30, 2013.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and our discussion and analysis of our financial condition and results of operations require us to make judgments, assumptions and estimates that affect the amounts reported in our financial statements and accompanying notes. Note 1 of the notes to consolidated financial statements in Part II, Item 7 of the Company's Annual Report on Form 10-K, dated December 31, 2013, describes the significant accounting policies and methods used in preparation of our consolidated financial statements. We base our estimates on historical experience, current trends, future projections, and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates. There were no material changes in our judgments or estimates during the second quarter of 2014.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Accounting Standard Codification 605 - Revenue Recognition" and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is currently assessing the impact ASU 2014-09 will have on its financial position and results of operations.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU requires companies to present an unrecognized tax benefit, or a portion thereof, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss or a tax credit carryforward, is not available at the reporting date under the applicable tax law or an entity does not intend to use its deferred tax asset for such purpose, the unrecognized tax benefit should be presented as a liability and not a reduction to deferred tax assets. This ASU is effective for fiscal years and interim periods beginning after December 15, 2013 with early adoption permitted. During the three months ended March 31, 2014, the Company adopted ASU 2013-11 and the adoption did not have a significant impact on its consolidated financial statements.

Other recently issued ASUs were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company's consolidated financial position and results of operations

Inflation

We do not expect the impact of inflation on operations to be significant.

Precious Metals

Raw materials used by the Company in the EW Machines include a number of precious metals and minerals. Prices of these materials can be volatile and the Company has no fixed price contracts or arrangements. The Company ordinarily does not attempt to hedge the price risk of its raw materials. Commercial deposits of certain metals that are required for the alloys used in the EW Machines are found in only a few parts of the world, and for certain materials only single sources are readily available. The availability and prices of these metals and other materials may be influenced by private or governmental cartels, changes in world politics, unstable governments in exporting nations, production interruptions, inflation and other factors. Although the Company has not experienced significant shortages of its supplies and raw materials, there can be no assurance that such shortages will not occur in the future. Any such shortages or prices fluctuations could have a material adverse effect on the Company.

Forward-Looking Statements

All forward-looking statements contained herein are deemed by the Company to be covered by and to qualify for the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995. Prospective shareholders should understand that several factors govern whether any forward-looking statement contained herein will be or can be achieved. Any one of those factors could cause actual results to differ materially from those projected herein. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “be,” “intend” or “project” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include our expectations regarding working capital requirements and future funding, our expectations regarding our internal controls, expectations regarding funding commitments, our expectations regarding reductions in deposits from Water Science, future revenues, future inventory levels, future orders, future test results, and plans and objectives of management for future operations, including plans and objectives relating to the products and the future economic performance of the Company. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, and the time and money required to successfully complete development projects, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of those assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in any of the forward-looking statements contained herein will be realized. Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, risks associated with successfully developing our business in evolving markets, our need for additional capital, our continuing operating losses, the ability of our management to conduct distribution activities and sell products, possible failure to successfully develop new products, risks associated with litigation, risks associated with international transactions, vulnerability to competitors due to lack of patents on our products, and other risk factors listed in our annual report on Form 10-K for the year ended December 31, 2013 and our other SEC reports. Based on actual experience and business development, the Company may alter its marketing, capital expenditure plans or other budgets, which may in turn affect the results of operations. In light of the significant uncertainties inherent in the forward-looking statements included therein, the inclusion of any such statement should not be regarded as a representation by the Company or any other person that the objectives or plans will be achieved.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company has evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the issuer's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2014, pursuant to Exchange Act Rule 15d-15. Based upon that evaluation, the principal executive and financial officers concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls 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. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. The Company's disclosure controls have been designed to provide reasonable assurance of achieving their objectives.

Changes to Internal Control Over Financial Reporting

There have been no significant changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, or other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

On February 11, 2011, the Company filed a Verified Complaint for Damages ("Complaint") in the Superior Court of Cobb County State of Georgia against Fieldale Farms Corporation ("Fieldale"). The lawsuit seeks approximately \$1,100,000 plus interest, which is the amount due under the agreement and an additional amount not less than \$100,000 for the costs of EAU's replacement of Fieldale equipment. Pursuant to the agreement the Company leased and installed certain equipment to Fieldale. In exchange, Fieldale agreed to pay the Company a monthly rental fee for a guaranteed term of four (4) years. Although the Company and the Company's technology performed in accordance with the agreement, Fieldale Farms cancelled the agreement in the fourth quarter of 2009. While we are unable at this time to estimate the likelihood of a favorable outcome in this matter, we intend to prosecute vigorously our claims against Fieldale. In March 2011, the Company received an Answer and Counterclaim, wherein Fieldale alleges that the Company caused damage to other equipment and property of Fieldale and seeks to recover its actual damages estimated at \$400,000. The Company disputes the claim and will vigorously defend against the claim. In October 2011, the case was moved from Cobb County to Habersham County. The Company filed for summary judgment, which was heard by the judge in May 2012. In October 2012, the Judge ruled on the case. The Judge ruled against the Company's claims due to a damages provision in the contract. The judge further accepted the Company's arguments to dismiss each of the counter claims made by Fieldale. The Company has filed an appeal on the judge's ruling against the Company's claims for breach of contract, and Fieldale has filed a cross-appeal on its counter-claims. Fieldale's cross-appeal will apply only if the Court of Appeals reverses the Superior Court's dismissal of the Company's

claims. The appeal was heard by three judges in April 2013. In December 2013 the appeal was denied by the Court of Appeals. The Company has applied to the Supreme Court of Georgia for certiorari, which means that we have asked the Supreme Court to review the Court of Appeals decision. No decision has been made at this time.

Item 1A. Risk Factors

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

In August 2014, the Company entered into agreements with, Peter F. Ullrich and Ted Jacoby, both members of the Board of Directors of the Company, to extend two promissory notes until May 2015. All other terms of the note remains unchanged.

In July 2014, the Company obtained an unsecured short term advance of \$100,000 from Peter Ullrich a member of the Board of Directors of the Company. The final agreement to document the advances has not been signed, and the material terms are not final. It is anticipated that the final loan will be at 10% simple interest and conversion rights into Company common stock. The material terms of the final agreement will be disclosed in subsequent filings with the Securities and Exchange Commission.

Item 6. Exhibits

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
3(i).1	Certificate of Incorporation (Incorporated by reference from registration statement on Form SB-1 filed with the SEC on July 29, 2002 (File No. 333-86830))
3(i).2	Certificate of Amendment of Certificate of Incorporation (Incorporated by reference from registration statement on Form SB-1 filed with the Securities and Exchange Commission on July 29, 2002 (File No. 333-86830))
3(i).3	Certificate of Amendment of Certificate of Incorporation (Incorporated by reference from current report on Form 8-K filed with the Securities and Exchange Commission on January 17, 2007)
3(ii).1	Amended and Bylaws (Incorporated by reference from registration statement on current report on Form 8-K filed with the Securities and Exchange Commission on September 12, 2007)
10.1	2013 Advances Loan Agreement between the Company and Peter F. Ullrich dated as of April 10, 2014. (Incorporated by reference to Ex. 10.25 to the Company's Form 10-K filed with the Securities and Exchange Commission on April 15, 2014)
10.2	Warrant between the Company and Peter F. Ullrich dated as of April 10, 2014. (Incorporated by reference to Ex. 10.26 to the Company's Form 10-K filed with the Securities and Exchange Commission on April 15, 2014)
10.3	Second Amendment to Third Amended and Restated Senior Secured Convertible Promissory Note dated as of April 10, 2014 between the Company and Water Science LLC. (Incorporated by reference to Ex. 10.27 to the Company's Form 10-K filed with the Securities and Exchange Commission on April 15, 2014)
10.4	Amended and Restated \$358,527 Loan Agreement dated April 10, 2014 between the Company and Peter F. Ullrich. (Incorporated by reference to Ex. 10.28 to the Company's Form 10-K filed with the Securities and Exchange Commission on April 15, 2014)
10.5	Amended and Restated \$1,325,000 Loan Agreement between the Company and Peter F. Ullrich dated as of April 10, 2014 (Incorporated by reference to Ex. 10.29 to the Company's Form 10-K filed with the Securities and Exchange Commission on April 15, 2014)
<u>10.6</u>	Second Amended and Restated Promissory Note between the Company and Peter F. Ullrich dated as of August 7, 2014.
<u>10.7</u>	Second Amended and Restated Promissory Note between the Company and Theodore C. Jacoby, Jr. dated as of August 7, 2014.
<u>31.1</u>	Certification by Peter F. Ullrich under Section 302 of the Sarbanes-Oxley Act of 2002.
<u>31.2</u>	Certification by Brian D. Heinhold under Section 302 of the Sarbanes-Oxley Act of 2002.
<u>32.1</u>	Certification of Peter F. Ullrich pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>32.2</u>	Certification of Brian D. Heinhold pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document

101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

** Furnished herewith. Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

SIGNATURES

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

Dated: August 14, 2014

EAU TECHNOLOGIES, INC.

By: /s/ Peter F. Ullrich
Peter F. Ullrich
Acting Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brian D. Heinhold
Brian D. Heinhold
Chief Financial Officer
(Principal Financial Officer)