

ENVIRO VORAXIAL TECHNOLOGY INC
Form 10-K
April 05, 2016
U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

Commission file number 0-30454

ENVIRO VORAXIAL TECHNOLOGY, INC.
(Name of Small Business Issuer in its Charter)

Idaho 83-0266517
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer
Identification No.)

821 NW 57th Place, Fort Lauderdale, Florida 33309
(Address of Principal Executive Offices) (Zip Code)

(954) 958-9968
(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Act:

Title of Each Class Name of Each Exchange on Which Registered
None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value
(Title of Class)

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

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (\$0.03 per share). \$203,223 on June 30, 2015.

There were 33,464,497 shares of common stock outstanding as of March 21, 2016.

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PART I.

Item 1. Business

Our History

Enviro Voraxial Technology, Inc. (the "Company") was incorporated in Idaho on October 19, 1964, under the name Idaho Silver, Inc. Our wholly owned subsidiary, Florida Precision Aerospace, Inc., a Florida corporation ("FPA"), was incorporated on February 26, 1993.

General

We believe we are emerging as a potential leader in the rapidly growing environmental and industrial separation industries. The Company has developed, patented and manufactures the Voraxial® Separator ("Voraxial Separator" or "Voraxial"), a proprietary technology that efficiently separates large volumes of liquid/liquid, liquid/solids or liquid/liquid/solids fluid mixtures with distinct specific gravities. Management believes this superior separation quality is achieved in real-time, and in much greater volumes, with a more compact, cost effective and energy efficient machine than any comparable product on the market today. Management believes the Voraxial fills a void in the market; specifically a real-time separation device that separates a large volume of liquids with a small footprint and without the need of a pressure drop. We believe the need for such a separation device overlaps many markets. These benefits result in significant cost savings to the customer, both acquisition and operating cost.

The Voraxial is capable of processing volumes as low as 3 gallons per minute as well as volumes over 5,000 gallons per minute with only one moving part. The Company believes that the Voraxial technology can help protect the environment and its natural resources while simultaneously making numerous industries more productive and cost effective.

The size and efficiency advantages provided by the Voraxial Separator to the end-user have provided us with a variety of market opportunities. We believe separation of contaminants from water is needed in virtually every industry, either in the manufacturing or production side of the business or in purifying the wastewater prior to discharge. Because of the advantages the Voraxial Separator offers the end user, the Voraxial can be used in many different markets. This allows the Company to pursue its core market, oil and gas exploration and production, while responding and selling product to customers in other markets, including, but not limited to, oil spill, mining, and municipal wastewater. The Company is focusing its sales activity in the oil & gas exploration and production market, which also includes the tar sands, Frac water, oil refineries and production facilities, both offshore and onshore applications.

We have generated limited revenues to date partially due to the time required to educate the market of our separation technology, partially because of insufficient funds to adequately market our product; and the time needed to secure and complete initial projects. However, with the dissemination of the data from our initial projects, we believe demand and interest for the Voraxial continues to increase. We are in various stages of negotiations with multiple customers interested in our Voraxial Separators and Voraxial Separator Systems. While we cannot provide any reasonable assurances, we believe a percentage of these negotiations will ultimately be consummated. If we fail to consummate any of these transactions, we may be required to scale back or cease operations, sell or liquidate our assets and possibly seek bankruptcy protection.

We are receiving inquiries from customers in various industries. Even though customers from various industries can utilize the Voraxial, we are currently focused on developing market channels to penetrate the oil and gas exploration and production market and more specifically, the produced water market. The Company believes that revenues from this industry will continue to increase in 2016 and beyond. We have completed multiple projects and trials to date with the Voraxial Separators (both offshore platforms and onshore production facilities) including units to PDVSA,

Occidental, Transocean, Tetra Technologies, ConocoPhillips, GE, Sinopec, and the US Navy. We are in dialogue with other companies to conduct similar projects in 2016.

We also believe that our technology could have a significant impact on oil spill recovery. Following the 2010 Deepwater Horizon oil spill in the Gulf of Mexico we were included in British Petroleum RAT (Rapid Attack Team) Pack program. The "RAT Pack" program is a fleet of local commercial, shallow draft, nimble and fast moving vessels operating under the Vessels of Opportunity program.

During 2010, we finalized the development of the Submersible Voraxial Separator for oil spill recovery, which enables the operator to separate oil from water in the ocean. By conducting the separation in the ocean, management believes that vessels can skim ten times more oil since the amount of water collected in a vessel's holding tank is reduced by up to 90%. The collected oil will be discharged into a holding tank while the clean water remains in the ocean. This differs substantially from the current methods of skimming large volumes of oil/water mixture and then conducting the separation on vessel. Implementing this new method enables the vessels to process significantly more volume of skimmed oil/water mixture, collect more oil, capture a higher concentration of oil and remain in operation longer. We filed three patents related to oil spill recovery.

We have also developed a turnkey system can be utilized in multiple niche applications in the oil industry including produced water, deck water drainage, slopwater, FPSO (floating, production, storage and offloading) and refinery markets. The system integrates the Voraxial Separator as a bulk separator, coalescers to increase the droplet size of the dispersed oil and filters for the secondary process for polishing. The system can also include other equipment such as flow meters, turbidity meters, oil monitors and chemical injection ports. We believe the turnkey system will provide the oil industry with a compact and effective separation system. The Voraxial's small footprint, low energy requirements and separation quality coupled with unique filtration equipment for secondary treatment provides the customer with a complete turnkey package that meets the most stringent discharge levels such as OSPAR (North Sea countries <30mg/ltr) and United States 40 CFR435 (<29 mg/ltr). We have shipped various models of this system.

Voraxial® Separator

The Voraxial Separator is a continuous flow turbo machine that generates a strong centrifugal force, a vortex, capable of separating light and heavy liquids, such as oil and water, or any other combination of liquids and solids at extremely high flow rates. As the fluid passes through the machine, the Voraxial Separator accomplishes this separation through the creation of a vortex. In liquid/liquid and liquid/solid mixtures, this vortex causes the heavier compounds to gravitate to the outside of the flow and the lighter elements to move to the center where an inner core is formed. The liquid stream processed by the machine is divided into separate streams of heavier and lighter liquids and solids. As a result of this process, separation is achieved.

The benefits of the Voraxial include:

- High volume / small footprint
- No Pressure drop requirement
- High G force
- Treats a wide range of flows, even slugging flows
- Handles fluctuation in flow rates without any adjustments
- Handles fluctuation in contaminates without any adjustments
- Separation of 2 or 3 components simultaneously
- Non-clogging - open rotor assembly
- Low maintenance with ease of operation and installation
- Can operate dry
- Since there is no pressure drop, there is very little wear caused by sand

The Voraxial Separator is a self-contained, non-clogging device that can be powered by an electric motor, diesel engine or by hydraulic power generation. Further, the Voraxial Separator's scalability allows it to be utilized in a variety of industries and to process various amounts of liquid. The following are the various sizes and the corresponding capacity range:

Model	Diameter	Capacity
Number	Size	Range

			Gallons Per Minute
Voraxial® 1000	1 inch	3	- 5
Voraxial® 2000	2 inches	20	- 70
Voraxial® 4000	4 inches	100	- 500
Voraxial® 8000	8 inches	1,000-	3,500

The Voraxial Separator can transfer various liquids in either direction by reversing the machine's rotation. We currently maintain an inventory of various models of the Voraxial Separator.

Management believes that our Voraxial Separator offers substantial applications on a cost-effective basis, including: oil exploration & production, oil remediation services, municipal wastewater treatment, bilge water purification, food processing waste treatment and numerous other industrial production and environmental remediation processes. We also believe that the quality of the water separated from the contaminant is good enough to recycle back into the process stream (back into the plant) or discharge to the environment. As clean water becomes less available to the ever-increasing world population, this technology may become more valuable.

The Market

The need for effective and cost efficient wastewater treatment and separation technology is global in scale. Moreover, virtually every industry requires some type of separation process either during the manufacturing process, prior to treatment or discharge of wastewater into the environment, for general clean up, or emergency response capability. Separation processes, however, are largely unknown to the average consumer. These processes are deeply integrated in almost all industrial processes from oil to wastewater to manufacturing. Management believes that the Voraxial technology has applications in most, if not all major separation industries. The unique characteristics of the Voraxial allow it to be utilized either as a stand-alone unit or within an existing system to provide a more efficient and cost effective way to handle the separation needs of the customer. We believe the Voraxial Separator can result in a cost savings and other benefits to the customer. These benefits result in and include:

- A reduction in water and energy usage,
- Requires no pressure drop to perform separation,
- Less space needed to implement the Voraxial Separator, the Voraxial Separator weights less than existing systems,
- A reduction time to process and separate the fluids, allowing the customer to be more efficient,
- Creation of more efficient and faster process to treat water to increase the overall productivity of the end-user,
- Fewer employees needed to operate the system, and
- Reduction of ongoing maintenance and servicing costs.

We believe that we are the only front-end solution for the separation industry that can offer increased productivity while reducing the physical space and energy required to operate the unit. These advantages translate into the potential for substantial operating cost efficiencies that would increase the profitability of the solution's end user. The Voraxial's unique characteristic to conduct separation without a pressure loss allows the unit to be installed in locations other technologies cannot. For instance another separation technology in the oil industry called a hydrocyclone requires a significant pressure loss to perform separation. We believe this characteristic gives our customers a more practical way to achieve separation.

If, as we expect, environmental regulations, both domestically and internationally, become more stringent, companies will be required to more effectively treat their wastewater prior to discharge. We believe this offers a great opportunity for the Company as the Voraxial Separator can be utilized in most separation applications to significantly increase the efficiency of the separation processes while simultaneously reduce the cost to the end-user.

Management believes that the oil industry, and more specifically the produced water market within this industry, represents a great opportunity for significant sales growth for the Voraxial Separator. The produced water market is worldwide and the need for effective produced water (oil/water) separation is a major issue for both offshore and land-based oil production facilities. The ability to efficiently separate produced water waste streams (oil and water) has enormous economical and environmental consequences for the oil production industry. Produced water comprises over 98% of the total waste volume generated by the oil and gas industry, making it the largest volume waste stream associated with oil and gas production.

Oil reservoirs frequently contain large volumes of water and as oil wells mature (the oil field becomes depleted), the amount of produced water increases. In the continental US, it is estimated that 7-10 barrels of water is produced for each barrel of recovered oil. According to the Argonne National Laboratory 2007 White Paper, "approximately 15 to 20 billion bbl (barrels; 1 bbl = 42 U.S. gallons) of produced water are generated each year in the United States. This is equivalent to a volume of 1.7 to 2.3 billion gallons per day." Worldwide, the total amount of produced water generated, excluding the United States, is approximately 50 billion barrels (approximately 6 billion gallons per day). Produced water volumes will continue to increase as oil wells mature.

The necessity to process and efficiently separate high volumes of liquids coupled with the more stringent environmental regulations worldwide is increasing the demand for the Voraxial Separator. The Voraxial Separator provides a cost effective way to separate large volumes of produced or re-injection water for both on-land and offshore production facilities. The Voraxial provides superior separation while decreasing the amount of space, energy and weight to conduct the separation. In addition to oil separation, the Voraxial can also perform solid (sand and grit) extraction, which prevents production damage by increasing the life of the well.

Manufacturing

The Voraxial Separator is currently manufactured and assembled at our Fort Lauderdale, Florida facilities. The Company subcontracts some parts of the Voraxial Separator to local manufacturers.

Sources and availability of raw materials

The materials needed to manufacture our Voraxial Separator have been provided by leading companies in the precision equipment industry including Motion Industries, MSC, and Baldor Electric Co., among other suppliers. We do not have any long term contracts with these entities. We do not anticipate any shortage of component parts.

Inventory

Other than our Voraxial® Separators, we maintain a limited inventory of finished parts until we receive a customer order. We currently have various models of the Voraxial Separator in inventory, which may include certain models located at third party facilities on a trial basis.

Marketing

Management continues to implement a sales and marketing program, that includes independent sales representatives, relationships with oil service companies, engineering firms and attending trade shows, to stimulate awareness of the Voraxial Separator. Management is developing relationships with oil service companies and representatives to promote the Voraxial to oil industry customers. We have presented the Voraxial Separator at several prominent trade shows in the past two fiscal years and have been recognized by various organizations. The Company plans to exhibit the Voraxial Separator at additional tradeshow in 2016.

Intellectual property

We currently hold several patents pertaining to the Voraxial® Separator and are continually working on developing other patents. The Company owns United States Patent #6,248,231 and #5,904,840. Patent #6,248,231 was registered in 2001 for Apparatus with Voraxial® Separator and Analyzer. Patent #5,904,840 is for Apparatus for Accurate Centrifugal Separation of Miscible and Immiscible Media, which is for technology invented by our former president, Alberto DiBella, and registered in 1999. We also hold the trademark for Voraxial.

Product liability

Our business exposes us to possible claims of personal injury, death or property damage, which may result from the failure, or malfunction of any component or subassembly manufactured or assembled by us. We have product liability insurance. However, any product liability claim made against us may have a material adverse effect on our business, financial condition or results of operations in light of our poor financial condition, losses and limited revenues. We have also obtained directors and officers, and general insurance coverage.

Research and development

We have spent \$0 and \$0, respectively, during years ended December 31, 2015 and 2014, on product research and development. The Company has finalized the development of the Voraxial Separator. However, we continue to monitor ways to improve the Voraxial Separator and test the products for new applications.

Competition

We are subject to competition from a number of companies who have greater experience, research abilities, engineering capability and financial resources than we have. Although we believe our Voraxial Separator offers applications which accomplish better or similar results on a more cost-effective basis than existing products, other products have, in some instances, attained greater market and regulatory acceptance. These competitors include, but are not limited to Westfalia and AlfaLaval.

Employees

We currently have five employees. All of our employees work full-time. None of our employees are members of a union. We believe that our relationship with our employees is favorable. We intend to add additional employees in the upcoming year, including managers, sales representatives and field technical engineers.

Item 1A. Risk Factors

Not applicable to smaller reporting companies. However, our principal risk factors are described under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

In October 2015, the Company entered into a three (3) year lease for an office and manufacturing facility located at 821 NW 57th Place, Fort Lauderdale, FL 33309. The lease is approximately \$6,100 per month.

Item 3. Legal Proceedings

On or about November 17, 2011, a claim was filed in the Broward County Circuit Court in Fort Lauderdale, Florida against the company by Raw Energy Tech, LLC. The plaintiff alleges oral contract between the parties for the alleged design, fabrication and construction of a prototype power pack. Amount of damages sought are approximately \$58,000. We have moved to dismiss the complaint and intend to vigorously defend this action as we believe this claim is without merit.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is quoted on the OTC Markets under the symbol "EVTN". The range of high and low bid quotations below are provided by the OTC Markets. On March 18, 2016, the closing price for our common stock was \$0.02. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

Quarter Ended	High	Low
March 31, 2014	\$0.13	\$0.08
June 30, 2014	\$0.09	\$0.06
September 30, 2014	\$0.06	\$0.03
December 31, 2014	\$0.05	\$0.01
March 31, 2015	\$0.02	\$0.01
June 30, 2015	\$0.06	\$0.01
September 30, 2015	\$0.02	\$0.01
December 31, 2015	\$0.01	\$0.01

Holdings

As of December 31, 2015, there were approximately 800 holders of record of our common stock outstanding. Our transfer agent is Jersey Stock Transfer LLC., Post Office Box 606, Mount Freedom, New Jersey 07970-0606.

Dividends

We have not paid a cash dividend on the common stock since current management joined our company in 1996. The payment of dividends may be made at the discretion of our board of directors and will depend upon, among other things, our operations, our capital requirements and our overall financial condition. As of the date of this report, we have no intention to declare dividends.

Recent Sales of Unregistered Securities

Except for those unregistered securities previously disclosed in reports filed with the Securities and Exchange Commission, during the period covered by this report, we have not sold any securities without registration under the Securities Act of 1933, as amended, during the period covered by this report.

Issuer Purchase of Equity Securities

None.

Item 6. Selected Financial Data

Information not required by small reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis contains various forward-looking statements. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or use of negative or other variations or comparable terminology. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in the forward-looking statements that these forward-looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

Year ended December 31, 2015 compared to year ended December 31, 2014

Revenue

We continued to focus our efforts and resources to the manufacturing, assembling, marketing and selling of the Voraxial Separator. Revenues for the year ended December 31, 2015 increased by \$514,563 to \$1,091,343 or approximately 89% from \$576,780 for the year ended December 31, 2014. We believe the increase in revenues corresponds to the increase customer interests and market awareness for the Voraxial. In the past several years we have been recognized by various oil and gas industry organizations and have participated in conferences and

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tradeshows which have assisted in increasing market awareness. We believe the dissemination of data from previously installed Voraxials is also creating an increase awareness and demand for the Voraxial. We continue to build relationships with oil services companies, representatives and oil exploration and production companies and believe these relationships will increase revenues. The majority of revenues in 2015 and 2014 were a result of sales of the Voraxial Separator and auxiliary equipment and parts, and the remaining revenues were from lease orders and trials for customers interested in buying the Voraxial Separator. The increase in revenues in 2015 was the result of additional sales. We are pursuing projects in multiple industries including oil exploration and production, sewage, oil spill and wastewater. The drop in oil prices may delay certain projects and decrease revenue potential in the near term. We believe we have increased the exposure and awareness of the Voraxial Separator through our marketing programs and expect to increase revenues from the sale and lease of the Voraxial Separator once oil prices and capital expenditures within the oil explorations and production sector recovers.

Cost of goods sold increased to \$448,220 for the year ended December 31, 2015 from \$178,992 during the year ended December 31, 2014 or an increase of \$269,228 or approximately 150%. The majority increase in cost of goods sold was directly related to our increase in revenues.

Costs and expenses

Total costs and expenses decreased by approximately 20% or \$219,655 to \$898,525 for the year ended December 31, 2015 as compared to \$1,118,180 for the year ended December 31, 2014. Our cost decreased primarily due to a non-cash decrease in consulting and payroll expense as discussed below during 2014. The decrease was partially offset by an inventory impairment of \$112,609 during 2015.

General and administrative expenses

General and Administrative expenses decreased by approximately 2% or \$7,841 to \$442,861 for the year ended December 31, 2015 from \$450,702 for the year ended December 31, 2014. Our general and administrative expenses, which have remained fairly consistent for 2015 as compared to 2014, primarily consist of rent, travel, insurance, professional fees and other general overhead expenses.

Consulting and Payroll Expenses

Consulting expenses decreased by approximately 99% or \$127,344 to \$995 for the year ended December 31, 2015 from \$128,339 for the year ended December 31, 2014. The decrease was primarily due to non-cash expenses associated with the repricing of options to consultants and employees in 2014. Payroll expense decreased by 16% or \$84,470 to \$454,669 for the year ended December 31, 2015 as compared to \$539,139 for the year ended December 31, 2014. The decrease reflects the fluctuations in employee overtime.

Liquidity and capital resources

At December 31, 2015, we had working capital deficiency of \$1,586,075, cash of \$73,713 and an accumulated deficit of \$16,523,671. For the year ended December 31, 2015, we had a net loss of \$275,421. Operating at a loss for the year negatively impacted our cash position. We believe that including our current cash resources and anticipated revenue to be generated by sales and/or leases of our Voraxial Separators, we will have sufficient resources to continue business operations for the next twelve months. To the extent that these resources are not sufficient to sustain current operating activities, we may need to seek additional capital, or adjust our operating plan accordingly.

Continuing losses

We may be unable to continue as a going concern, given our limited operations and revenues and our significant losses to date. Consequently, our working capital may not be sufficient and our operating costs may exceed those experienced in our prior years. In light of these recent developments, we may be unable to continue as a going concern.

The Company has experienced net losses, has a working capital and stockholders' deficit. There is no assurance that the Company's developmental and marketing efforts will be successful, that the Company will ever have commercially accepted products, or that the Company will achieve significant revenues. If the Company is unable to successfully commercialize its Voraxial Separator, it is unlikely that the Company could continue its business. Therefore, substantial doubt exists about the ability of the Company to continue as a going concern. The

Company may require the infusion of capital until operations become profitable. During 2016, the Company may seek additional capital in the event it is unable to increase sales of the Voraxial Separator or continue to restrict expenses. If we fail to raise additional funds when needed, or do not have sufficient cash flows from sales, we may be required to scale back or cease operations, sell or liquidate our assets and possibly seek bankruptcy protection. The accompanying consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Critical Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note C of the Notes to Financial Statements describes the significant accounting policies used in the preparation of the consolidated financial statements. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of our financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. Specifically, critical accounting estimates have the following attributes: 1) we are required to make assumptions about matters that are highly uncertain at the time of the estimate; and 2) different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on our financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our consolidated financial statements are fairly stated in accordance with accounting principles generally accepted in the United States, and present a meaningful presentation of our financial condition and results of operations. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements:

Revenue Recognition

The Company derives its revenue from the sale and short-term rental of the Voraxial Separator. The Company presents revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 605 "Revenue Recognition in Financial Statements". Under Revenue Recognition in Financial Statements, revenue is realized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC, did not, or are not believed by management, to have a material impact on the Company's present or future financial statements.

Risk Factors

Our independent auditors have raised substantial doubt about our ability to continue as a going concern.

Our independent auditors have included in their audit report an explanatory paragraph that states that our continuing losses from operations raises substantial doubt about our ability to continue as a going concern.

We have not yet generated significant revenues from the Voraxial Separator. The revenues and income potential of our business and the markets of our separation technology are unproven. We have incurred operating losses since our inception, and we will continue to incur net losses until we can produce sufficient revenues to cover our costs. At December 31, 2015, we had an accumulated deficit of \$16,523,671 including a net loss of \$275,420 for the year ended December 31, 2015. Even if we achieve profitability, we may not be able to sustain or increase our profitability on a quarterly or annual basis.

Our ability to generate future revenues will depend on a number of factors, many of which are beyond our control. These factors include the rate of market acceptance of our products, competitive efforts, and general economic trends. Due to these factors, we cannot anticipate with any degree of certainty what our revenues will be in future periods. You have limited historical financial data and operating results with which to evaluate our business and our prospects.

We have been limited by insufficient capital, and we may continue to be so limited.

In the past, we have lacked the required capital to market the Voraxial Separator. Our inability to raise the funding or to otherwise finance our capital needs could adversely affect our financial condition and our results of operations, and could prevent us from implementing our business plan.

We may seek to raise capital through public and private equity offerings, debt financing or collaboration, and strategic alliances. Such financing may not be available when we need it or may not be available on terms that are favorable to us. If we raise additional capital through the sale of our equity securities, your ownership interest will be diluted and the terms of the financing may adversely affect your holdings or rights as a stockholder. If we fail to raise additional funds when needed, or do not have sufficient cash flows from sales, we may be required to scale back or cease operations, sell or liquidate our assets and possibly seek bankruptcy protection.

We currently rely on a limited number of customers for our revenues.

Revenues from four customers accounted for approximately 94% of total revenues during 2015 and revenues from two customers accounted for approximately 83% of total revenues during 2014. We do not have any contracts with these customers. If these customers fail to order additional products or we are unable to attract new customers, it could have an adverse effect on our financial condition and results of operations.

If our products do not achieve and maintain market acceptance, our business will not be successful.

Even though our product is successfully developed, our success and growth will depend upon its acceptance by various potential users of our product. Acceptance will be a function of our product being more cost effective as compared to currently existing or future technologies. If our product does not achieve market acceptance, our business will not be successful. In addition, even if our product achieves market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our product or render our products obsolete.

If we do not develop sales and marketing capabilities or arrangements successfully, we will not be able to commercialize our product successfully.

We have limited sales and marketing experience. We may market and sell our product through a direct sales force or through other arrangements with third parties, including co-promotion arrangements. Since we may market and sell any product we successfully develop through a direct sales force, we will need to hire and train qualified sales personnel.

Our market is subject to intense competition. If we are unable to compete effectively, our product may be rendered non-competitive or obsolete.

We are engaged in a segment of the water filtration industry that is highly competitive and rapidly changing. Many large companies, academic institutions, governmental agencies, and other public and private research organizations are pursuing the development of technology that can be used for the same purposes as our product. We face, and expect to continue to face, intense and increasing competition, as new products enter the market and advanced technologies become available. We believe that a significant number of products are currently under development and will become available in the future that may address the water filtration segment of the market. If other products are successfully developed, it may be marketed before our product.

Our competitors' products may be more effective, or more effectively marketed and sold, than any of our products. Many of our competitors have:

significantly greater financial, technical and human resources than we have and may be better equipped to discover, develop, manufacture and commercialize products; and
more extensive experience in marketing water treatment products.

Competitive products may render our products obsolete or noncompetitive before we can recover the expenses of developing and commercializing our product. Furthermore, the development of new technologies and products could render our product noncompetitive, obsolete, or uneconomical.

As we evolve from a company primarily involved in design and development to one also involved in commercialization, we may encounter difficulties in managing our growth and expanding our operations successfully.

We may experience a period of rapid and substantial growth that may place a strain on our administrative and operational infrastructure, and we anticipate that continued growth could have a similar impact. As our product continues to enter and advance in the market, we will need to expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various collaborative partners, suppliers, and other third parties.

If we are unable to adequately protect our technology, or if we infringe the rights of others, we may not be able to defend our markets or to sell our product.

Our success may depend in part on our ability to continue and expand our patent protection both in the United States and in other countries for our product. Due to evolving legal standards relating to the patentability, validity, and enforceability of patents covering our product and the scope of claims made under these patents, our ability to obtain and enforce patents is uncertain and involves complex legal and factual questions. Accordingly, rights under any issued patents may not provide us with sufficient protection for our product or provide sufficient protection to afford us a commercial advantage against competitive products or processes.

Our success may also depend in part on our ability to operate without infringing the proprietary rights of third parties. The manufacture, use, or sale of our product may infringe on the patent rights of others. Likewise, third parties may challenge or infringe upon our existing or future patents. Proceedings involving our patents or patent applications or those of others could result in adverse decisions regarding:

the patentability of our inventions relating to our product; and/or
the enforceability, validity, or scope of protection offered by our patents relating to our product.

Litigation may be necessary to enforce the patents we own and have applied for (if they are awarded), copyrights, or other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. This type of litigation could result in the expenditure of significant financial and managerial resources and could result in injunctions preventing us from distributing certain products. Such claims could materially adversely affect our business, financial condition, and results of operations.

We are dependent on key personnel.

We are dependent upon the availability and the continued performance of the services of John A. DiBella. The loss of the services of John A. DiBella could have a material adverse effect on us. In addition, the availability of skilled personnel is extremely important to our growth strategy

and our failure to attract and retain such personnel could have a material, adverse effect on us. We do not currently maintain any key man life insurance covering Mr. DiBella or any of our employees.

Our operations are subject to governmental approvals and regulations and environmental compliance.

Our operations are subject to extensive and frequently changing federal, state, and local laws and substantial regulation by government agencies, including the United States Environmental Protection Agency (EPA), the United States Occupational Safety and Health administration (OSHA) and the Federal Aviation Administration (FAA). Among other matters, these agencies regulate the operation, handling, transportation and disposal of hazardous materials used by us during the normal course of our operations, govern the health and safety of our employees and certain standards and licensing requirements for our aerospace components that we contract manufacture. We are subject to significant compliance burden from this extensive regulatory framework, which may substantially increase our operational costs.

We believe that we have been and are in compliance with environmental requirements and believe that we have no liabilities under environmental requirements. Further, we have not spent any funds specifically on compliance with environmental laws. However, some risk of environmental liability is inherent in the nature of our business, and we might incur substantial costs to meet current or more stringent compliance, cleanup, or other obligations pursuant to environmental requirements in the future. This could result in a material adverse effect to our results of operations and financial condition.

Our business has a substantial risk of product liability claims. If we are unable to obtain appropriate levels of insurance, a product liability claim against us could adversely affect our business.

Our business exposes us to possible claims of personal injury, death, or property damage, which may result from the failure, or malfunction of any component or subassembly manufactured or assembled by us. While we have product liability insurance, any product liability claim made against us may have a material adverse effect on our business, financial condition, or results of operations in light of our poor financial condition, losses and limited revenues.

We currently have limited authorized, but unissued shares of capital stock.

As of December 31, 2015, the Company has approximately 9,285,503 shares of authorized, but unissued Common Stock. In addition, the Company has reserved approximately 13,465,000 shares for outstanding options. Therefore the Company has limited shares of common stock which otherwise could be sold to meet future financing needs and does not have a sufficient number of shares reserved in the event of the exercise of all of the Company's outstanding options.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information not required by smaller reporting company.

Item 8. Financial Statements and Supplementing Data

The financial statements required by this report are included, commencing on F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2015. Based upon that evaluation and the identification of the material weakness in th