

Edgar Filing: ENVIRO VORAXIAL TECHNOLOGY INC - Form 10QSB/A

ENVIRO VORAXIAL TECHNOLOGY INC  
Form 10QSB/A  
November 30, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Amendment No. 1 to

FORM 10-QSB  
(Mark One)

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

For the quarterly period ended March 31, 2007

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

For the transition period from to

Commission File Number: 0-27445

Enviro Voraxial Technology, Inc.  
-----

(Exact name of Small Business Issuer as specified in its Charter)

IDAHO  
-----

(State or other jurisdiction of  
incorporation or organization)

82-0266517  
-----

(I.R.S. Employer  
Identification No.)

821 NW 57th Place, Fort Lauderdale, Florida 33309  
-----

(Address of principal executive offices)

(954) 958-9968  
-----

(Issuer's telephone number)

\_\_\_\_\_  
(Former Name, former address and former fiscal year, if changed  
since last Report.)

Check mark whether the Issuer (1) has filed all reports required to be filed by  
Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past 12  
months (or for such shorter period that the registrant was required to file such  
reports), and (2) has been subject to such filing requirements for the past 90  
days. Yes  No

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common  
equity, as of the latest practicable date: March 31, 2007, we had 22,092,235  
shares of our Common Stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes  No

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PART I: CONSOLIDATED FINANCIAL INFORMATION

Item 1. Financial Statements.

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET

	Mar 2
	-----
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$
Accounts receivable, net	
Inventory	
	-----
Total current assets	
FIXED ASSETS, NET	
OTHER ASSETS	
	-----
Total assets	\$ =====
LIABILITIES AND SHAREHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$
	-----
Total current liabilities	
	-----
Total liabilities	
	-----
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' DEFICIENCY:	
Common stock, \$.001 par value, 42,750,000 shares authorized 22,092,235 shares issued and outstanding	
Additional paid-in capital	
Deferred compensation	
Accumulated deficit	
	-----
Total shareholders' deficit	
	-----

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Total liabilities and shareholders' deficit

\$

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The accompanying notes are an integral part of the consolidated financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March	
	2007	
	-----	-----
Revenues, net	\$ 53,631	\$
Cost of goods sold	11,686	
	-----	-----
Gross profit	41,945	
Costs and operating expenses:		
Research and development	82,595	
General and administrative	328,994	
	-----	-----
Total costs and operating expenses	411,589	
	-----	-----
Loss from operations	(369,644)	
Provision for income taxes	--	
	-----	-----
NET LOSS	\$ (369,644)	\$
	=====	=====
Weighted average number of common shares outstanding-basic & diluted	21,125,568	
	-----	-----
Basic and diluted loss per common share	\$ (0.01)	\$

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The accompanying notes are an integral part of the consolidated financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

	Common Stock		Additional Paid-in Capital	Deferred Compensation	Acco
	Shares	Amount			
Balance at December 31, 2004	17,676,402	\$ 18,000	\$ 4,953,000	\$ (11,000)	\$ (
Issuance of common stock for consulting services	300,000	300	141,519	(56,875)	
Issuance of options for services	--	--	21,000	--	
Issuance of restricted common stock at \$.40 per share	1,468,333	1,144	586,189	--	
Issuance of common stock for consulting services	15,000	15	7,635	--	
Amortization of deferred compensation	--	--	--	14,438	
Net loss	--	--	--	--	(
Balance - December 31, 2005	19,459,735	\$ 19,459	\$ 5,709,343	\$ (53,437)	\$ (
Issuance of common stock for investments	2,232,500	2,232	890,768	--	
Issuance of restricted common stock at \$.40 per share	300,000	300	119,700	(13,333)	
Amortization of deferred compensation	--	--	--	53,437	
Net loss	--	--	--	--	

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Balance - December 31, 2006	21,992,235	\$ 21,991	\$ 6,719,811	\$ (13,333)	\$ (
Issuance of options for accrued salaries			300,000		
Issuance of options for services	--	--	86,676	--	
Issuance of common stock for consulting services	100,000	100	39,900	(13,333)	
Amortization of deferred compensation	--	--	--	13,333	
Net loss	--	--	--	--	
	-----	-----	-----	-----	-----
Balance - March 31, 2007	22,092,235	\$ 22,091	\$ 7,146,387	\$ (13,333)	\$ (
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOWS

	For the Quarter Ending March 31, 2007	2006
	-----	-----
Cash Flows From Operating Activities:		
Net loss	\$ (369,644)	\$ (216,719)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	278	147
Common stock issued for services	99	40,000
Amortization of deferred compensation	13,333	--
Deferred compensation	26,667	12,062
Issuance of options for services	86,676	--
Changes in operating assets and liabilities:		
Accounts receivable	(123,866)	(22,164)
Inventory	(91,017)	(10,988)
Prepaid insurance	--	(26,991)
Accounts payable and accrued expenses	(2,289)	108,297

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Deposits from customers	--	78,750
	-----	-----
Net cash used in operating activities	(459,763)	(37,606)
	-----	-----
Cash Flows From Investing Activities:		
Purchase of equipment	(5,294)	--
Sale of equipment	--	--
	-----	-----
Net cash used in investing activities	(5,294)	--
	-----	-----
Cash Flows From Financing Activities:		
Issuance of options for reduction in accrued salaries	300,000	
Proceeds from sales of common stock	--	122,000
	-----	-----
Net cash provided by financing activities	300,000	122,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	(165,057)	84,394
Cash and cash equivalents, beginning of period	390,393	76,691
	-----	-----
Cash and cash equivalents, end of period	\$ 225,336	\$ 161,085
	=====	=====
Supplemental Disclosures		
Cash paid during the year for interest	\$ --	\$ --
	=====	=====
Cash paid during the year for taxes	\$ --	\$ --
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2007

NOTE A - ORGANIZATION AND OPERATIONS

Organization

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Enviro Voraxial Technology, Inc. (the "Company") is a provider of environmental and industrial separation technology. The Company has developed and patented the Voraxial(R) Separator, which is a technology that efficiently separates solids and liquids with distinct specific gravities. Potential commercial applications and markets include oil exploration and production, oil refineries, mining, manufacturing and municipal wastewater industry.

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The Company currently operates within one segment, which is the manufacture and sale of the Voraxial(R) Separator.

Florida Precision Aerospace, Inc. (FPA) is the wholly-owned subsidiary of the Company and is used to manufacture, assemble and test the Voraxial Separator.

### NOTE B - INTERIM REPORTING

#### Interim Reporting

While the information presented in the accompanying interim three and nine months financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the December 31, 2006 audited annual financial statements of Enviro Voraxial Technology, Inc. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's audited December 31, 2006 annual financial statements.

Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results that can be expected for the year ended December 31, 2007.

### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Net Loss Per Share

Basic and diluted loss per share has been computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding. The warrants and stock options have been excluded from the calculation since they would be anti-dilutive.

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ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2007

Such equity instruments may have a dilutive effect in the future and include the following potential common shares:

Warrants	5,589,367
Stock options	6,710,666
	-----
	12,300,033
	=====

#### Recent Accounting Pronouncement

#### Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the Financial Accounting Standards Board (FASB) issued



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Statement of Financial Accounting Standard (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 allows companies to choose to measure many financial instruments and certain other items at fair value. SFAS 159 will become effective for the Company beginning in fiscal 2009. The Company is currently evaluating what effects the adoption of SFAS 159 will have on the Company's future results of operations and financial condition.

### NOTE D - RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2007, the Company incurred consulting expenses from the chief executive officer and majority stockholder of the Company of \$48,750. Of these amounts, \$19,200 has been paid out for the three months ended March 31, 2007. The cumulative unpaid balance has been included in accrued expenses.

### NOTE E - CAPITAL TRANSACTIONS

Common stock  
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In February 2007, the Company entered into a three month consulting agreement and agreed to issue 100,000 shares for services performed by a consultant, which were valued at \$40,000.

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ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2007

Options  
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In January 2007, the Company granted 606,000 stock options to employees or outside consultants, exercisable at \$.40 per share. These options vest equally over the life of the options, which range from 1 to 5 years. The Company calculated the fair value of the options at the grant date by using the Black-Scholes option-pricing model with the following weighted average assumptions: no dividend yield for all the years; expected volatility of 25%; risk-free interest rate of 5% and an expected life of 1 to 5 years, resulting in a fair value of approximately \$86,000.

In January 2007, the Company granted 2,000,000 stock options to officers to reduce the amount of accrued salaries and consulting fees due to them by \$300,000.

In January 2007, the Company issued 375,000 stock options to consultants, exercisable at \$.80 - \$1.00 per share. These options are fully vested and expire on October 31, 2007. The Company calculated the fair value of the options at the grant date by using the Black-Scholes option-pricing model with the following weighted average assumptions: no dividend yield for all the years; expected volatility of 25%; risk-free interest rate of 5% and an expected life of 10

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months. Based on the above, the options were not considered to have a fair value associated with them.

Information with respect to employee stock options outstanding and employee stock options exercisable at March 31, 2007 is as follows:

	Options Outstanding -----	Vested Shares -----	Exercise Price Per Common Share -----	Weig
Balance, December 31, 2002	2,245,000	1,115,000	\$0.15-\$0.77	
Granted/vested during the year	10,000	1,120,000	\$1.00	
Balance, December 31, 2003	2,255,000	2,235,000	\$0.15-\$1.00	
Granted/vested during the year	1,424,666	1,424,666	\$0.15-\$1.00	
Balance, December 31, 2004	3,679,666	3,659,666	\$0.15-\$1.00	
Granted/vested during the year	50,000	50,000	\$1.00	
Balance, December 31, 2005	3,729,666	3,709,666	\$0.15-\$1.00	
Balance, December 31, 2006	3,729,666	3,709,666	\$0.15-\$1.00	
Granted/vested during the quarter	2,981,000	2,981,000	\$0.40-\$1.00	
Balance, March 31, 2007	6,710,666	6,690,666	\$0.15-\$1.00	

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ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2007

The following table summarizes information about the stock options outstanding at March 31, 2007

Exercise Price -----	Number Outstanding at March 31, 2007 -----	Weighted Average Remaining Contractual Life -----	Weighted Average Exercise Price -----	Number Exercisable March 31, 2007 -----
0.30	45,000	0.87	0.30	45,000
0.77	200,000	1.13	0.77	200,000
0.15	2,000,000	1.55	0.15	2,000,000
1.00	235,000	1.00	1.00	10,000
0.60	697,333	3.13	0.60	697,333
1.00	697,333	3.13	1.00	697,333
1.00	50,000	3.00	1.00	50,000

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0.71	30,000	1.7	0.71	30,000
0.80	150,000	1	0.80	150,000
0.40	2,606,000	5	0.40	2,606,000
	-----			-----
	6,710,666			6,710,666
	-----			-----

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

General

Forward-Looking Statements

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The following discussion of the financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto. The following discussion contains forward-looking statements. Enviro Voraxial(R) Technology is referred to herein as "the Company", "we" or "our." The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements". Such statements include those concerning our expected financial performance, our corporate strategy and operational plans. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties. Statements made herein are as of the date of the filing of this Form 10-QSB with the Securities and Exchange Commission and should not be relied upon as of any

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subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

### Application of Critical Accounting Policies

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The Company's consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of these significant accounting policies can be found in Note B to the Company's financial statements in the Company's 2006 Annual Report on Form 10-KSB. The Company has not adopted any significant new policies during the quarter ended March 31, 2007.

Among the significant judgments made in preparation of the Company's financial statements are the determination of the allowance for doubtful accounts and adjustments of inventory valuations. These adjustments are made each quarter in the ordinary course of accounting.

Results of Operations for the Three Months ended March 31, 2007 and 2006:

### Revenue

-----

Our revenues were \$53,631 for the three months ended March 31, 2007 as compared to \$22,164 for the three months ended March 31, 2006. The \$31,467 or 141% increase is due to additional rental income from the Voraxial(R) Separator and related equipment during 2007 as compared to 2006. The Company is currently leasing the Voraxial(R) Separator for a specific project to a customer in the oil industry. In addition, we rent our Voraxial(R) Separator to potential clients for trials. Favorable trial results may lead to purchase orders in the future. The Company continues to focus on its sales and marketing program for the Voraxial(R) Separator and management believes such efforts will result in increasing revenues in 2007.

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### Cost of Goods Sold

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Our cost of goods sold increased to \$11,686 for the three months ended March 31, 2007 as compared to \$4,778 for the three months ended March 31, 2006, an increase of \$6,908, which is a directly related to the increase in revenues reflected above.

### Research and Development Expenses

-----

Research and Development expenses decreased by 43% to \$82,595 for the three months ended March 31, 2007, as compared to \$145,696 for the previous three months ended March 31, 2006. Although the Company has finalized the development of the Voraxial(R) Separator, we targeted expenditures for specific applications for the technology within the oil industry during the three months ended March 31, 2007.

### General and Administrative Expenses

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General and Administrative expenses increased to \$328,994 for the three months

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ended March 31, 2007 from \$88,409 for the three months ended March 31, 2006. The increase was primarily due to (i) non cash expenses relating to the issuance of options to employees and consultants; (ii) consulting fees; and (iii) increased professional fees. We continue to focus our efforts on marketing of the Voraxial(R) Separator.

### Liquidity and Capital Resources:

Cash at March 31, 2007 was \$225,235. Working capital at March 31, 2007 was \$50,194 as compared to a working capital deficit at December 31, 2006 of approximately \$1,822.

At March 31, 2007 the Company had an accumulated deficit of \$7,085,180. We anticipate generating positive cash flow from the Voraxial(R) Separator by the end of 2007. To the extent such revenues and corresponding cash flows do not materialize, we will require infusion of capital to sustain our operations. We cannot be assured that we will generate revenues or that the level of any future revenues will be self-sustaining. Furthermore, we cannot provide any assurances that required capital will be obtained or that terms of such required capital may be acceptable to us.

The Company has funded working capital requirements and intends to fund current working capital requirements through third party financing, including the private placement of securities. However, the Company cannot provide any assurances that it will be able to obtain adequate financing. If the Company is unable to obtain adequate financing, it may reduce its operating activities until sufficient funding is secured or revenues are generated to support operating activities.

### Continuing Losses

-----

We may be unable to continue as a going concern, given our limited operations and revenues and our significant losses to date. Since 2001, we have encountered greater expenses in the development of our Voraxial(R) Separators and have had limited sales income from this development. 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. However, we believe that the exposure received in

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the past year for the Voraxial Separator has positioned the Company to begin generating sales and supply us with sufficient working capital. As a result of the above, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Item 3. Controls and Procedures

#### Evaluation of disclosure controls and procedures

-----

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). This evaluation was done under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective.

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Changes in internal controls  
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There were no changes in our internal controls or in other factor during the period covered by this report that have materially affected, or is likely to materially affect the Company's internal controls over financial reporting.

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### PART II: OTHER INFORMATION

#### Item 1. Legal Proceedings

None.

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

In January, the Company issued options to purchase 106,000 shares of the Company's common stock to two employees of the Company. The options are exercisable for a period of five years and are exercisable at \$0.40 per share. In addition, the Company issued options to purchase an aggregate of 2,000,000 shares of the Company's common stock to John A. DiBella and Alberto DiBella in satisfaction of accrued compensation of approximately \$300,000. The options are exercisable for a period of five years and are exercisable at \$0.40 per share. In addition, the Company issued options to purchase 250,000 shares of the Company's common stock to a consultant. The options are exercisable at \$0.40 per share for a period of one year. The Company issued options to purchase an additional 250,000 shares of the Company's common stock to a consultant. The options are exercisable at \$0.40 per share for a period of five years. These options are subject to certain milestones. 375,000 Options were issued to a consultant based on the achievement of certain milestones. 225,000 Options with an exercise price at \$1.00 and 150,000 Options with an exercise price at \$0.80. These Options have 1 year remaining until expiration. The issuance of the options were exempt from registration under Section 4(2) of the Securities Act. The option holders received information concerning the Company and had the opportunity to ask questions concerning the viability of the Company. The options contained legends restricting the transferability absent registration or applicable exemption.

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During February 2007 the Company issued 100,000 shares of its common stock to a consultant for consulting services valued at \$40,000. The issuance of the shares were exempt from registration under Section 4(2) of the Securities Act. The consultant received information concerning the Company and had the opportunity to ask questions concerning the viability of the Company. The shares contained legends restricting the transferability absent registration or applicable exemption.

### Item 3. Default Upon Senior Securities

None.

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### Item 4. Submission of Matters to a Vote of Securities

None.

### Item 5. Other Information

None.

### Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-B

- 31.1 Form 302 Certification of Chief Executive Officer
- 31.2 Form 302 Certification of Principal Financial Officer
- 32.1 Form 906 Certification of Chief Executive Officer and Principal Financial Officer

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SIGNATURE

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

Enviro Voraxial Technology, Inc.

By: /s/ Alberto DiBella

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Alberto DiBella  
Chief Executive Officer and  
Principal Financial Officer

DATED: October 9, 2007



