



DECEMBER 3, 2008

MORNING NOTE

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**EAU TECHNOLOGIES, INC.**

(OTC BB: EAUI: \$0.25, BUY)

INDUSTRY: MANUFACTURING

Disclosures: 1, 10

FY: Dec	2007A	2008E	2009E
EPS	(\$0.79)	(\$0.28)	(\$0.19)

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**Pure Bioscience Lands Major Partner – Good Omen For EAUI**

From recent conversations with management, we believe that the achievement of Category 1 status with 100% kill at Murray's Chicken has opened some doors to EAUI. We expect an announcement soon and are buyers ahead of it.

Pure Bioscience (Nasdaq: PURE: \$2.79 – Not Rated) has signed a new partnership with Ciba to develop, market and sell PURE's silver dihydrogen citrate (SDC) antimicrobial as a preservative and biocide. Under this partnership, CIBN will develop and market SDC globally for personal care, household and industrial applications.

SDC is a compound created by electrolyzing silver. Water-soluble and colorless, it can be incorporated into soaps and gels.

This bodes well for EAUI's chances of major partnerships.

- EAUI has signed an agreement with a large poultry processor in northern Georgia to install its equipment at their facility. They anticipate that the system will be fully operational in December 2008.
- EAUI has installed its equipment to test a clean-in-place (CIP) application at a major food processing plant on a trial basis. Management expects it will be several months before results of the test are completed. However, we understand that so far the equipment is passing the tests.
- We have been hoping for some new customer announcements from EAUI – these support our case that something big is in the works.

Our price target of \$2.00 per share represents 18x projected 2009 sales, discounted back at 20%. We reaffirm our **BUY** rating on EAUI.

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