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

(MARK ONE)

**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, 2009 |

OR

| | |
|---|---|
| [ ] | **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |

| |
|---|
| FOR THE TRANSITION PERIOD FROM _____ TO _____ |
| COMMISSION FILE NUMBER: 0-29192 |

| |
|---|
| **PURADYN FILTER TECHNOLOGIES INCORPORATED** |
| (Name of registrant as specified in its charter) |

| | |
|---|---|
| **DELAWARE** | **14-1708544** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| **2017 HIGH RIDGE ROAD, BOYNTON BEACH, FL** | **33426** |
| (Address of principal executive offices) | (Zip Code) |

| |
|---|
| **(561) 547-9499** |
| (Registrant's telephone number, including area code) |

| |
|---|
| **NOT APPLICABLE** |
| (Former name, former address and former fiscal year, if changed since last report) |

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 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 (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 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<br>(Do not check if smaller reporting company) | [ ] | Smaller reporting company | [√] |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes [ ] No [√]

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 42,082,047 shares of common stock are issued and outstanding as of August 12, 2009.

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## OTHER PERTINENT INFORMATION

Our web site is www.puradyn.com. The information which appears on our web site is not part of this report.

When used in this report, the terms "Puradyn," the "Company," "we," "our," and "us" refers to Puradyn Filter Technologies Incorporated, a Delaware corporation, and our subsidiaries.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to operate as a going concern and to raise sufficient capital to fund our operations, acceptance of the Company's products, the Company's dependence on distributors and a few significant customers, risks associated with international operations and international distribution and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report and our Annual Report on Form 10-K for the year ended December 31, 2008 in their entirety, including the risks described in Part I. Item 1A. Risk Factors. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

## PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Puradyn Filter Technologies Incorporated
Condensed Consolidated Balance Sheets
As of June 30, 2009 and December 31, 2008

| | June 30, 2009 (unaudited) | December 31, 2008 (audited) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 58,721 | $ 116,802 |
| Accounts receivable, net of allowance for uncollectible accounts of $62,549 and $22,970 respectively | 455,030 | 182,660 |
| Inventories, net | 1,146,967 | 1,337,309 |
| Prepaid and other current assets | 113,122 | 184,537 |
| Total current assets | 1,773,840 | 1,821,308 |
| Property and equipment, net | 109,411 | 122,915 |
| Deferred financing costs, net | 6,040 | 8,419 |
| Other noncurrent assets | 40,930 | 40,930 |
| Total Other Assets | 156,381 | 194,453 |
| Total assets | $ 1,930,221 | $ 1,993,572 |
| Liabilities and stockholders' deficit | | |
| Current liabilities: | | |
| Accounts payable | $ 351,030 | $ 305,645 |
| Accrued liabilities | 1,300,983 | 1,148,536 |
| Current portion of capital lease obligation | 2,484 | 1,859 |
| Deferred revenue | 93,709 | 120,647 |
| Total current liabilities | 1,748,206 | 1,576,687 |
| Notes Payable - stockholder | 6,268,414 | 6,367,702 |
| Capital lease obligation, less current portion | 3,837 | 5,280 |
| Total Long Term Liabilities | 6,272,251 | 6,372,982 |
| Total Liabilities | 8,020,457 | 7,949,669 |
| Commitments and contingencies | - | - |
| Stockholders' deficit: | | |
| Preferred stock, $.001 par value: | - | - |
| Authorized shares – 500,000; none issued and outstanding | | |
| Common stock, $.001 par value: | 39,226 | 35,839 |
| Authorized shares – 50,000,000 | | |
| Issued and outstanding – 39,225,555 and 35,838,351 respectively | | |
| Additional paid-in capital | 44,192,251 | 43,301,010 |
| Deferred compensation | (40,014) | (118,736) |
| Notes receivable from stockholders | (790,210) | (966,531) |
| Accumulated deficit | (49,603,155) | (48,469,757) |
| Accumulated other comprehensive income | 111,666 | 262,078 |
| Total stockholders' deficit | (6,090,236) | (5,956,097) |
| Total liabilities and stockholders' deficit | $ 1,930,221 | $ 1,993,572 |

*See accompanying notes to condensed consolidated financial statements.*

Puradyn Filter Technologies Incorporated
Condensed Consolidated Statements of Operations
For the Three Months and Six Months Ended June 30, 2009 and 2008
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | $ 729,131 | $ 791,781 | $ 1,027,912 | $ 1,555,206 |
| Costs and expenses: | | | | |
| Cost of products sold | 617,447 | 641,537 | 977,937 | 1,266,866 |
| Salaries and wages | 243,347 | 250,877 | 483,016 | 506,930 |
| Selling and administrative | 101,129 | 221,279 | 443,758 | 483,678 |
| | 961,923 | 1,113,693 | 1,904,711 | 2,257,474 |
| Loss from operations | (232,792) | (321,912) | (876,799) | (702,268) |
| Other income (expense): | | | | |
| Interest income | (176,071) | 595 | (175,894) | 1,329 |
| Interest expense | (42,115) | (77,323) | (80,705) | (168,176) |
| Total other expense, net | (218,186) | (76,728) | (256,599) | (166,847) |
| Loss before income taxes | (450,978) | (398,640) | (1,133,398) | (869,115) |
| Income tax expense | - | - | - | - |
| Net loss | $ (450,978) | $ (398,640) | $ (1,133,398) | $ (869,115) |
| Basic and diluted loss per common share | $ (.01) | $ (.01) | $ (.03) | $ (.03) |
| Weighted average common shares outstanding (basic and diluted) | 38,764,732 | 32,447,852 | 38,010,025 | 31,250,226 |

*See accompanying notes to condensed consolidated financial statements.*

Puradyn Filter Technologies Incorporated
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2009 and 2008
(Unaudited)

| | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 |
|---|---|---|
| **Operating activities** | | |
| Net loss | $ (1,133,398) | $ (869,115) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 21,500 | 34,498 |
| Provision for bad debts | 39,579 | (25,829) |
| Provision for obsolete and slow moving inventory | 45,311 | 2,786 |
| Amortization of deferred financing costs included in interest expense | 2,379 | 5,893 |
| Deferred compensation | 78,723 | - |
| Reserve on interest receivable from stockholders' notes | 176,321 | - |
| Compensation expense on stock-based arrangements with employees, consultants, investors and vendors | 111,853 | 20,653 |
| Compensation expense on stock-based arrangements with investors and directors | | 45,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (311,949) | (107,121) |
| Inventories | 145,030 | (91,353) |
| Prepaid expenses and other current assets | 71,415 | (99,296) |
| Accounts payable | 45,385 | (258,676) |
| Accrued liabilities | 152,446 | 87,193 |
| Deferred revenues | (26,938) | 3,969 |
| Net cash used in operating activities | (582,343) | (1,251,398) |
| **Investing activities** | | |
| Purchases of property and equipment | (8,443) | (14,487) |
| Net cash used in investing activities | (8,443) | (14,487) |
| **Financing activities** | | |
| Proceeds from sale of common stock | 782,758 | 1,474,000 |
| Proceeds from issuance of notes payable to stockholders | 713 | - |
| Payment of notes payable to stockholder | (100,000) | - |
| Payment of capital lease obligations | (819) | (2,002) |
| Net cash provided by financing activities | 682,652 | 1,471,998 |
| Effect of exchange rate changes on cash and cash equivalents | (149,947) | 5,840 |
| Net (decrease) increase in cash and cash equivalents | (58,081) | 211,953 |
| Cash and cash equivalents at beginning of period | 116,802 | 112,270 |
| Cash and cash equivalents at end of period | 58,721 | $ 324,223 |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 77,862 | $ 198,455 |
| **Noncash investing and financing activities:** | | |
| Note Payables converted to stockholder's equity | $ 100,000 | $ 620,000 |

*See accompanying notes to condensed consolidated financial statements.*

Puradyn Filter Technologies Incorporated
Consolidated Statements of Changes in Stockholders' Deficit
For the Six Months Ended June 30, 2009
(Unaudited)

| | Common Stock | | Additional Paid-in | Deferred | Notes Receivable From | Accumulated | Accumulated Other Comprehensive | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Compensation | Stockholders | Deficit | Income (Loss) | Deficit |
| Balance at December 31, 2008 | 35,838,351 | $ 35,839 | $ 43,301,010 | $ (118,736) | $ (966,531) | $ (48,469,757) | $ 262,078 | $ (5,956,097) |
| Foreign currency translation adjustment | – | – | - | – | – | – | (150,412) | (150,412) |
| Net loss | – | – | – | – | – | (1,133,398) | – | (1,133,398) |
| Total comprehensive loss | – | – | - | – | – | – | – | (1,283,810) |
| Stock issued for private placement | 3,369,347 | 3,369 | 779,388 | - | – | – | – | 782,757 |
| Reserve accrued interest | – | – | | – | 176,321 | | | 176,321 |
| Issuance of shares and warrants to vendors | 17,857 | 18 | 94,232 | 78,722 | – | – | – | 172,972 |
| Compensation expense associated with unvested option expense | – | – | 17,621 | - | – | – | – | 17,621 |
| Balance at June 30, 2009 | 39,225,555 | $ 39,226 | $ 44,192,251 | $ (40,014) | $ (790,210) | $ (49,603,155) | $ 111,666 | $ (6,090,236) |

*See accompanying notes to condensed consolidated financial statements.*

Puradyn Filter Technologies Incorporated
Notes to Condensed Consolidated Financial Statements
June 30, 2009
(Unaudited)

## 1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim information and with the instructions to Form 10-Q and Regulation S-K. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments consisting of a normal and recurring nature considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended June 30, 2009 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2009.

For further information, refer to Puradyn Filter Technologies Incorporated's ("the Company") consolidated financial statements and footnotes thereto included in the Form 10-K for the year ended December 31, 2008.

Going Concern

The Company's financial statements have been prepared on the basis that it will operate as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred net losses each year since inception and has relied on the sale of its stock from time to time and loans from third parties and from related parties to fund its operations.

These recurring operating losses, liabilities exceeding assets and the reliance on cash inflows from an institutional investor and current stockholder have led the Company's independent registered public accounting firm Webb & Company, P.A. to include a statement in its audit report relating to the Company's audited consolidated financial statements for the year ended December 31, 2008 expressing substantial doubt about the Company's ability to continue as a going concern.

The Company has been addressing the liquidity and working capital issues and continues to attempt to raise additional capital with institutional and private investors and current stockholders. Cost reductions were and continue to be implemented by the Company, including acquiring alternative suppliers for raw materials and analyzing more efficient manufacturing processes. The Company, until recently, had seen results from these reductions, as well as from other cost reduction plans. However, due to raw material increases and the recent economic environment, the Company has been able to pass on only a portion of these costs as product price increases and has been forced to absorb some raw material increases. A portion of this increase is being offset by customer price increases effective January 1, 2009. There can be no assurance that the Company will be able to raise the additional capital needed or reduce the level of expenditures in order to sustain operations.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Basic and Diluted Loss Per Share

SFAS No. 128, *Earnings Per Share*, requires a dual presentation of basic and diluted earnings per share. However, because of the Company's net losses, the effect of outstanding stock options and warrants would be anti-dilutive and, accordingly, is excluded from the computation of diluted loss per share. The number of such shares excluded from the computation of loss per share totaled 5,447,211 and 4,799,606 for the three-month and six-month period ended June 30, 2009 and 4,026,114 and 4,799,606 for the three and six-month periods ended June 30, 2008.

*Stock Compensation*

The Company adopted SFAS 123R effective January 1, 2006 using the modified prospective application method of adoption which requires us to record compensation cost related to unvested stock awards as of December 31, 2005, recognizing the amortized grant date fair value in accordance with provisions of SFAS 123R on straight line basis over the service periods of each award. We have estimated forfeiture rates based on our historical experience. Stock option compensation expense for the periods ended June 30, 2008 and June 30, 2009 have been recognized as a component of cost of goods sold and general and administrative expenses in the accompanying Consolidated Financial Statements.

Stock options and warrants issued to consultants and other non-employees as compensation for services provided to the Company are accounted for based on the fair value of the services provided or the estimated fair market value of the option or warrant, whichever is more reliably measurable in accordance with SFAS 123 and EITF 96-18, *Accounting for Equity Investments That are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services,* including related amendments and interpretations. The related expense is recognized over the period the services are provided.

Inventories

Inventories are stated at the lower of cost or market using the first in, first out (FIFO) method. Production costs, consisting of labor and overhead, are applied to ending inventories at a rate based on estimated production capacity and any excess production costs are charged to cost of products sold. Provisions have been made to reduce excess or obsolete inventories to their net realizable values.

Inventories consisted of the following at June 30, 2009 and December 31, 2008:

| | **June 30, 2009** | **December 31, 2008** |
|---|---|---|
| Raw materials | $1,057,731 | $ 946,429 |
| Finished goods | 212,652 | 505,039 |
| Valuation allowance | (123,416) | (114,159) |
| | $ 1,146,967 | $ 1,337,309 |

Deferred Financing Costs

The Company capitalizes financing costs and amortizes them using the straight-line method, which approximates the effective interest method, over the term of the related debt. Amortization of deferred financing costs is included in interest expense and totaled $1,007 and $2,105 the three-months ended June 30, 2009 and June 30, 2008 and $2,379 and $5,893 for the six-months ended June 30, 2009 and 2008, respectively. Accumulated amortization of deferred financing costs as of June 30, 2009 and 2008 was $675,110 and $668,521, respectively.

Revenue Recognition

The Company recognizes revenue from product sales to customers, distributors and resellers when products that do not require further services or installation by the Company are shipped, when there are no uncertainties surrounding customer acceptance and when collectibility is reasonably assured in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements* (SAB 104), as amended and interpreted. Cash received by the Company prior to shipment is recorded as deferred revenue. Sales are made to customers under terms allowing certain limited rights of return and other limited product and performance warranties for which provision has been made in the accompanying condensed consolidated financial statements.

Amounts billed to customers in sales transactions related to shipping and handling, represent revenues earned for the goods provided and are included in net sales. Costs of shipping and handling are included in cost of products sold.

Product Warranty Costs

As required by FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45), the Company is including the following disclosure applicable to its product warranties.

The Company accrues for warranty costs based on the expected material and labor costs to provide warranty replacement products. The methodology used in determining the liability for warranty cost is based upon historical information and experience. The Company's warranty reserve is calculated as the gross sales multiplied by the historical warranty expense return rate.

The following table shows the changes in the aggregate product warranty liability for the six-months ended June 30, 2009:

| | |
|---|---|
| Balance as of December 31, 2008 | $ 148,149 |
| Less: Payments made | 2,399 |
| Change in prior period estimate | (4,797) |
| Add: Provision for current period warranties | 39,126 |
| Balance as of June 30, 2009 | $ 184,877 |

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income* (SFAS 130) establishes rules for reporting and displaying of comprehensive income and its components. Comprehensive income is the sum of net loss as reported in the consolidated statements of operations and other comprehensive income transactions. Other comprehensive income transactions that currently apply to the Company result from changes in exchange rates used in translating the financial statements of its wholly owned subsidiary, Puradyn Filter Technologies, Ltd. (Ltd). Comprehensive loss as of June 30, 2009 and 2008 is not shown net of taxes because the Company's deferred tax asset has been fully offset by a valuation allowance.

Comprehensive loss consisted of the following for the three and six-months ended June 30, 2009 and 2008:

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Net loss | $ (450,978) | $ (398,640) | $ (1,133,398) | $ (869,115) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | (172,084) | 658 | (150,412) | 2,371 |
| Comprehensive loss | $ (623,062) | $ (397,982) | $ (1,283,810) | $ (866,744) |

New Accounting Standards

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events" ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this statement did not have a material effect on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 166 "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 166 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities", as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166 and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 168 "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162". The FASB Accounting Standards Codification ("Codification") will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in SFAS 168. All other accounting literature not included in the Codification is nonauthoritative. The Company is evaluating the impact the adoption of SFAS 168 will have on its financial statements.

**2. Issues Affecting Liquidity and Management's Plans**

The Company's financial statements have been prepared assuming that the Company will continue as a going concern. The Company has sustained losses since inception in 1987 and used net cash in operations of approximately $582,000 and $1,251,000 during the six-months ended June 30, 2009 and 2008, respectively. As a result, the Company has had to rely principally on private equity funding, including the conversion of debt into stock, as well as stockholder loans to fund its activities to date.

These recurring operating losses, liabilities exceeding assets and the reliance on cash inflows from an institutional investor and current stockholder led the Company's independent registered public accounting firm, Webb & Company, P.A. to include a statement in its audit report relating to the Company's audited consolidated financial statements for the year ended December 31, 2008 expressing substantial doubt about the Company's ability to continue as a going concern.

The Company has been addressing the liquidity and working capital issues and continues to attempt to raise additional capital with institutional and private investors and current stockholders. Cost reductions continue to be implemented by the Company including acquiring alternative suppliers for raw materials and manufacturing and the Company expects to see results from these reductions, as well as other cost reduction plans through 2009. Additionally, the Company is reviewing cost of material increases, some of which were passed through to its customers as product price increases beginning January 2009.

The Company continues to address liquidity concerns because of inadequate revenue growth. As a result, cash flow from operations is insufficient to cover our liquidity needs for the immediate future. The Company is in the process of aggressively seeking to raise capital and is exploring financing availability and options with investment bankers, funds, private sources, members of management and existing shareholders. The Company has implemented measures to preserve its ability to operate, including organizational changes, a reduction and/or deferral of salaries, reduction in personnel and renegotiating creditor and collection arrangements. There can be no assurance that the Company will be able to raise the additional capital needed or reduce the level of expenditures in order to sustain operations.

On February 23, 2009, the stockholder amended the original loan agreements to extend the payback dates to December 31, 2010. The original loan agreements, dated March 28, 2002 and March 14, 2003, were due and payable on December 31, 2003 and December 31, 2004. Previously, the stockholder waived the funding requirement mandating maturity as such time as the Company raised an additional $7.0 million over the $3.5 million previously raised in the Company's private placement offering; or until such time as the Company is operating within sufficient cash flow parameters, as defined, to sustain its operations; or until a disposition of the Company occurs. As of June 30, 2009, the Company had drawn a total of $6.270 million of the available funds.

The Company anticipates 2009 sales activity to be stronger toward the end of the year, cash flows to be comparable to 2008and realizes that additional cash may be needed to support operations. If additional capital is not raised, budgeted sales

levels are not achieved and/or significant unanticipated expenditures occur, the Company will have to modify its business plan, reduce or discontinue some of its operations or seek a buyer for part of its assets to continue as a going concern through 2009. There can be no assurance that the Company will be able to raise the additional capital needed to continue as a going concern.

**3. Common Stock**

On January 8, 2009 the Company extended again the expiration date by six months for a loan of $123,750, interest bearing at a rate of 5.63% and collateralized by 300,000 shares of common stock, made to a former employee of the Company. The new expiration date of the loan was April 8, 2009. As the note was not paid when due and is currently in default, the Company has exercised its rights to the collateral and made demand for payment by filing a lawsuit against the employee on July 7, 2009 for non-payment of three promissory notes, each dated July 25, 2001

On May 1, 2009 the Company received proceeds of $100,000 from the sale of 689,655 shares of common stock at a price of $0.145 per share and as part of the offering, awarded 172,414 warrants to purchase one share of common stock at an exercise price of $0.50 on or prior to May 1, 2014.

On May 7, 2009, the Company converted $100,000 previously received as a stockholder loan in January 2009, into 555,555 shares of common stock at a price of $.18 per share, the closing price of the Company's stock on May 6, 2009. In connection with the issuance of common stock, the Company issued warrants to purchase 138,889 shares of common stock at a price of $.50, which expire on May 6, 2014.

On May 8, 2009, the Company modified the exercise price of 100,000 warrants previously issued to Dom Telesco on February 3, 2009 from $1.25 to $.50. These warrants were previously issued to Mr. Telesco as consideration for a loan to the Company and the price of the warrants was modified to reflect the current market price of other investments.

**4. Stock Options.**

During the three-month periods ended June 30, 2009 and June 30, 2008, the Company recognized compensation expense of approximately $46,000 and $10,000, respectively. On October 1, 2008, the Company agreed to pay to Emerging Markets, LLC, 300,000 shares of commons stock priced at $0.325 plus 175,000 warrants with an exercise price of $0.75 and 175,000 warrants with an exercise price of $1.25 and an expiration date for all warrants of October 1, 2013. During the three-month period ending June 30, 2009, approximately $40,000 of this expense was amortized.

At June 30, 2009, approximately 3,727,961 warrants with an average exercise price of $1.11 remain outstanding and were fully vested.

For the three months ended June 30, 2009 and June 30, 2008, respectively, the Company recorded stock-based compensation expense of $13,190 and $11,298, relating to unvested employee stock options.

Stock options and warrants issued to consultants and other non-employees as compensation for services provided to the Company are accounted for based on the fair value of the services provided or the estimated fair market value of the option or warrant, whichever is more reliably measurable in accordance with SFAS 123 and EITF 96-18, *Accounting for Equity Investments That are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services*. The related expense is recognized over the period the services are provided.

A summary of the Company's stock option plans as of June 30, 2009, and changed during the six-month period then ended is presented below:

| | Six Months Ended June 30, 2009 | |
|---|---|---|
| | Number of Options | Weighted Average Exercise Price |
| Options outstanding at beginning of period | 1,767,900 | $ 2.15 |
| Options granted | 53,000 | .24 |
| Options expired | 11,650 | 1.47 |

| | | |
|---|---|---|
| Options cancelled | 90,000 | .89 |
| Options at end of period | 1,719,250 | $ 2.16 |
| Options exercisable at end of period | 1,003,750 | $ 3.51 |

A summary of the Company's stock option plans as of June 30, 2009, and changed during the three-month period then ended is presented below:

| | Three Months Ended June 30, 2009 | |
|---|---|---|
| | Number of Options | Weighted Average Exercise Price |
| Options outstanding at beginning of period | 1,767,900 | $ 2.14 |
| Options granted | 38,000 | .20 |
| Options expired | 11,650 | 1.47 |
| Options cancelled | 75,000 | .62 |
| Options at end of period | 1,719,250 | $ 2.16 |
| Options exercisable at end of period | 1,003,750 | $ 3.51 |

Changes in the Company's unvested options for the six months ended June 30, 2009 are summarized as follows:

| | Six Months Ended June 30, 2009 | |
|---|---|---|
| | Number of Options | Weighted Average Exercise Price |
| Options unvested at beginning of period | 838,750 | $ .31 |
| Options granted | 53,000 | .24 |
| Options vested | 128,750 | .27 |
| Options cancelled | 47,500 | .66 |
| Options unvested at end of period | 715,500 | $ .26 |

Changes in the Company's unvested options for the three months ended June 30, 2009 are summarized as follows:

| | Three Months Ended June 30, 2009 | |
|---|---|---|
| | Number of Options | Weighted Average Exercise Price |
| Options unvested at beginning of period | 833,750 | $ .29 |
| Options granted | 38,000 | .20 |
| Options vested | 112,500 | .23 |
| Options cancelled | 43,750 | .69 |
| Options unvested at end of period | 715,500 | $ .26 |

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Price | Number Outstanding | Remaining Average Contractual Life (In Years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| $ .21 – $ 1.70 | 1,331,250 | 5.41 | $ .53 | 615,750 | $ .84 |
| 1.99 – 3.13 | 88,000 | 3.17 | 2.69 | 88,000 | 2.69 |
| 9.25 | 300,000 | 1.00 | 9.25 | 300,000 | 9.25 |
| Totals | 1,719,250 | 5.04 | $2.16 | 1,003,750 | $3.51 |

A summary of the Company's warrant activity as of June 30, 2009 and changed during the six month and three month periods then ended is presented below:

| | Six Months Ended June 30, 2009 | |
|---|---|---|
| | Weighted Average Exercise | |
| | Warrants | Price |
| Warrants outstanding at the beginning of period | 3,214,072 | $ 1.25 |
| Granted | 663,889 | .61 |
| Exercised | - | |
| Expired | 150,000 | 2.00 |
| Warrants outstanding at end of period | 3,727,961 | $ 1.11 |

| | Three Months Ended June 30, 2009 | |
|---|---|---|
| | Weighted Average Exercise | |
| | Warrants | Price |
| Warrants outstanding at the beginning of period | 3,589,072 | $ 1.13 |
| Granted | 138,889 | .50 |
| Exercised | - | - |
| Expired | - | - |
| Warrants outstanding at end of period | 3,727,961 | $ 1.11 |

| | **Warrants Outstanding** | | |
|---|---|---|---|
| **Range of Exercise Price** | **Number Outstanding** | **Remaining Average Contractual Life (In Years)** | **Weighted Average Exercise Price** |
| $ .50 – $.99 | 838,889 | 3.64 | $ .61 |
| 1.25 | 2,889,072 | 3.59 | 1.25 |
| Totals | 3,727,961 | 3.60 | $ 1.11 |

**5. Notes Payable to Stockholders**

As of June 30, 2009, the Company had drawn all of the $6.1 million from the available line-of-credit, which is provided by a stockholder, and a Board Member, of the Company (see Note 2). Amounts drawn bear interest at a weighted average between two facilities, one is based on a minimum of 2.75% or the prime rate minus one-half percent and the other is based on Libor plus 1.40 (a weighted average of 2.41% as of June 30, 2009) payable monthly and become due and payable on December 31, 2010, or upon a change in control of the Company or consummation of any other financing over $7.0 million. Previously, this executive officer, director and stockholder waived this funding requirement. On February 23, 2009, the maturity date of the stockholder loan was extended from December 31, 2009 to December 31, 2010.

On May 7, 2009, the Company converted a $100,000 advance received from a member of the Board into 555,555 common shares.

For the three-months ended June 30, 2009 and 2008, the Company recorded approximately $39,000 and $71,000, respectively; and for the six-months ended June 30, 2009 and 2008, the Company recorded approximately $75,000 and $157,000, respectively, of interest expense related to the notes payable to stockholder, which is included in interest expense in the accompanying condensed consolidated statements of operations.

**6. Commitments and Contingencies and Concentrations**

Sales to two customers individually accounted for approximately 36% and approximately 12% (for a total 48%) of the net sales for the six-months ended June 30, 2009.

**7. Subsequent Events**

On July 7, 2009 the Company filed a lawsuit against former Chief Executive Officer, Richard C. Ford, alleging non-payment of three promissory notes totaling $756,250 with interest at a rate of 5.63% per annum since July 25, 2001, the execution date of the notes. As of July 25, 2009 interest on all three notes amounts to $340,615, for an aggregate amount owing of $1,096,865. At the time of the execution of these promissory notes, Mr. Ford was Chief Executive Officer of the Company and drafter of these instruments. Upon filing of the lawsuit, the Company has discontinued any form of commercial relationship with Mr. Ford, who recently performed work for the Company under a manufacturing representative agreement.

On July 17, 2009, the Company converted $100,000 received as a stockholder loan into 370,370 shares of common stock at a price of $.27 per share, the closing price of the Company's stock on July 17, 2009. In connection with the issuance of common stock, the Company issued warrants to purchase 92,593 shares of common stock at a price of $.50, which expire on July 17, 2014.

On July 17, 2009 the Company received proceeds of $100,000 from the sale of 370,370 shares of common stock at a price of $0.27 per share and as part of the offering, awarded 92,593 warrants to purchase one share of common stock at an exercise price of $0.50 on or prior to July 17, 2014.

Between August 1, 2009 and August 12, 2009, the Company received proceeds of $700,000 from seven investors for the sale of 2,115,752 shares of common stock at prices of $.31 and $.34 per share and as part of the offering, awarded 211,575 warrants to purchase common stock at a price of $.50, which expire in August 2019.

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August 13, 2009 the date the financial statements were issued.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Cautionary Statements Regarding Forward Looking Information**

Certain statements in this report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause the Company's actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, the Company's ability to operate as a going concern and to raise sufficient capital to fund its operations, acceptance of the Company's products, the Company's dependence on distributors and a few significant customers, risks associated with international operations and international distribution and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety. Except for the Company's ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

**Overview**

Sales of the Company's products, the **pura**DYN® bypass oil filtration system (the *"Puradyn"*) and replaceable filter elements will depend principally upon end user demand for such products and acceptance of the Company's products by original equipment manufacturers ("OEMs"). The oil filtration industry has historically been competitive and, as is typically the case with innovative products, the ultimate level of demand for the Company's products is subject to a high degree of uncertainty. Developing market acceptance for the Company's existing and proposed products will require substantial marketing and sales efforts and the expenditure of a significant amount of funds to inform customers of the perceived benefits and cost

advantages of its products. As a result of our limited resources, to date we have not had adequate funds available to undertake these necessary marketing efforts.

Currently no bypass oil filtration system has captured a substantial share of the estimated recurring $15 billion potential market, based upon figures supplied by The Rhein Report, a report issued by Rhein Associates Inc, a diesel engine industry consulting, publishing and market research company. We believe we are in a unique position to capitalize on the growing acceptance of bypass oil filtration given that our product and our Company are positioned as, including, but not limited to:

- A competitively priced, value-added product based on an advanced, patented technology;
- An alternative solution to the rising costs and national concerns over dependence on foreign oil; and
- Providing an operational maintenance solution to end users in conjunction with existing and reasonably foreseeable federal environmental legislation such as new regulation affecting diesel engines and diesel fuels, mandating cleaner diesel engines which first went into effect January 1, 2007. Additional and more stringent legislation is anticipated in 2010.

We focus our sales strategy on individual sales and distribution efforts as well as on the development of a strong nationwide distribution network that will not only sell but also install and support our product. We currently have approximately 140 active distributors in the U.S. and internationally. The number of distributors will constantly change as we add new distributors as well as when OEMs come onboard with their distribution network.

We continue to focus our sales and marketing efforts to target industries more open to innovative methods to reduce oil maintenance operating costs. These industries are searching for new and progressive ways, including bypass oil filtration, to maintain their equipment.

This strategy includes focus on:

- The expansion of existing strategic relationships we have with John Deere, Avis and others;
- Continued development and expansion of our distribution network with qualified distributors in order to establish a sales- and service-oriented nationwide infrastructure
- Continuing to target existing and new industrial/construction equipment fleets and major diesel engine and generator set OEMs
- Creating customer 'pull-through', a sustained level of request for our product on the OEM level
- Converting customer evaluations into sales, both immediate and long term

While this is a long-term and ongoing commitment, we believe we have achieved a limited amount of industry acceptance based on recent accomplishments:

- The May 2009 announcement that a major oil drilling company, operating land drilling and offshore rigs in over 30 countries, has started a program to outfit its drilling platforms with the *Puradyn* systems. Worldwide equipment fleet of over 2,700 has been targeted for retrofit.

- The March 2009 announcement that the Company has entered into an exclusive sales representative agreement for the country of Nigeria and adjacent waters, effectively opening a new market for the *Puradyn* system.

- 2008 announcement that the Avis Budget Group is installing the *Puradyn* system as standard on its fleet of 300+ heavy duty buses. Avis is the first in the car rental industry to use bypass oil filtration.

- 2008 announcement that John Deere Forestry Division is factory-installing *Puradyn* systems in Joensuu, Finland on equipment to be utilized in Russia and other countries where high sulfur fuel is used.

- 2008 announcement of initial and repeat orders received from the Foreign Military Sales program, the government method for selling U.S. defense equipment, services, and training, to supply the *Puradyn* system for the line haul fleet.

- U.S. Army contract received to supply the *Puradyn* system to outfit JERRV vehicles used in combat in Iraq and Afghanistan.

We believe that the renewed interest shown in the technology of bypass oil filtration as an economic alternative to significantly rising oil prices, dependence upon foreign oil, with the added benefit of being environmentally beneficial, will timely and favorably position the Company as a manufacturer of a cost efficient "green" product.

We also believe that although industry acceptance will continue to grow in 2009, the impact of the global economy will continue to affect our revenue levels for a portion of the remainder of 2009.s; however, there can be no assurance that any of our sales efforts or strategic relationships will meet management's expectations or result in actual revenues. Even with the above announcement, business revenue during the first quarter of 2009 was below management expectation, due to the lead-time involved in manufacturing special order requirements.

The Company's sales effort not only involves educating the potential customer on the benefits of our product, but also allowing the end-user to test and evaluate the *Puradyn* system on its fleet equipment. While set for a specific period of time, typically ranging from three to twelve months, evaluations are often influenced by a number of variables including equipment applications downtime or servicing, which may extend the evaluation period. Consequently, the sales cycle can be relatively long. Management believes that this evaluation period has shortened as our products gain wider acceptance, support and usage from well-known end-users and OEMs.

We believe international sales are especially well suited to our product given that environmental controls are not as regulated in countries outside North America. Certain applications representing a higher return on investment are more prevalent in use outside of North America and end-users consequently are more receptive to the total maintenance package, including the use of oil analysis, which the ***Puradyn*** system requires to verify oil condition. In the first six months of 2009, total international sales accounted for approximately 18% of the Company's consolidated net sales as compared to 55% for the first six months of 2008. As discussed elsewhere herein, we believe that the decline in international sales in the current fiscal year is attributable to the global economic uncertainty, which we estimate have negatively impacted our sales for this quarter approximately $670,000. Given the fact that our product saves money and companies are looking to save costs as oil prices increase, we expect the global economic uncertainly will continue to negatively affect our sales revenues through part of the third quarter of 2009 and diminish thereafter.

Optimizing our limited resources and obtaining sufficient capital will be key to accomplishing our goals. We will need to remain focused on working with OEMs, continue developing the independent distributors we have onboard and maintain growth within the major accounts using our system. To accomplish these tasks, we will need obtain capital funding and add appropriate sales and marketing support to be sure our distributors and customers are served. Subject to the receipt of additional funding, we will be adding application engineers and product engineers as we grow our OEM account list. A second application engineer and product engineer will be needed as we add our third OEM and a new major distributor. The expansion into the OEM area, even though it is very demanding due to response need to meet their needs, is also rewarding in the aspect that it provides a steady flow of material requirements for our manufacturing area giving us more stability in manufacturing personnel, a stronger supply chain with steady production, economies of scale and the ability to better utilize our overhead with higher average material turn rates.

As described elsewhere herein, we continue to address our liquidity and working capital issues as we continue to seek to raise additional capital from institutional and private investors and current stockholders. Historically, we have faced difficulties in raising adequate capital and we anticipate that those efforts will continue given the uncertainties facing the capital markets in the U.S. We also continue to implement cost reductions in an effort to improve margins, including securing alternative suppliers for raw materials and manufacturing and we anticipate these costs reductions will impact our results of operations during the balance of 2009 and beyond. We are also reviewing cost of material increases, some of which were passed through to our customers as product price increases beginning January 2009. These price increases were generally limited to market conditions, but will continue to be applied each January and were in the range of 4% to 8%. Cost reductions were and continue to be implemented by the Company including acquiring alternative suppliers for raw materials. The Company, until recently, had seen results from these reductions, as well as from other cost reduction plans. However, due to raw material increases and the recent economic environment, the Company has been able to pass on only a portion of these costs as product price increases and has been forced to absorb some raw material increases. A portion of this increase was offset by customer price increases effective January 1, 2009.

**Going Concern**

Our financial statements have been prepared on the basis that we will operate as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. We have incurred net

losses each year since inception and have relied on the sale of our stock from time to time and loans from third parties and from related parties to fund our operations. These recurring operating losses, liabilities exceeding assets and the reliance on cash inflows from an institutional investor and current stockholder have led our independent registered public accounting firm Webb & Company P.A. to include a statement in its audit report relating to ours audited consolidated financial statements for the years ended December 31, 2008, December 31, 2007 and December 31, 2006 expressing substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to obtain the necessary financing to meet our obligations and repay our liabilities when they become due and to generate profitable operations in the future. We plan to continue to provide for our capital requirements through the sale of equity securities, however, we have no firm commitments from any third party to provide this financing and we cannot assure you we will be successful in raising working capital as needed. There are no assurances that we will have sufficient funds to execute our business plan, pay our obligations as they become due or generate positive operating results.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to product returns, bad debts, inventories, financing operations, warranty obligations and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect us more significant judgments and estimates used in the preparation of our consolidated financial statements.

*Allowance for doubtful accounts*

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We provide for potential uncollectible accounts receivable based on customer specific identification and historical collection experience. If market conditions decline, actual collection experience may not meet expectations and may result in decreased cash flows and increased bad debt expense.

The policy for determining past due status is based on the contractual payment terms of each customer, which is generally net 30 or net 60 days. Once collection efforts by us and our collection agency are exhausted, the determination for charging off uncollectible receivables is made.

*Estimation of product warranty cost*

We provide for the estimated cost of product warranties at the time revenue is recognized. While we engage in product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required.

*Estimation of inventory obsolescence*

We provide for estimated inventory obsolescence or unmarketable inventory in amounts equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

*Impairment of long-lived assets*

We periodically evaluate the recoverability of the carrying amount of our long-lived assets under the guidelines of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Factors that we consider in making this evaluation include estimating the undiscounted net cash flows estimated to result from the assets over their remaining useful life. Should our estimates of these factors change, our results of operations and financial condition could be adversely impacted.

*Revenue recognition*

Revenue is recognized when earned. Our revenue recognition policies are in compliance with the provisions issued in SAB No. 104, Revenue Recognition in Financial Statements. Revenue from product sales to customers, distributors and resellers is recorded when products that do not require further services or installation us are shipped, when there are no uncertainties surrounding customer acceptance and for which liability is reasonably assured. We provide for sales returns based on an historical analysis of returns. The estimate is updated for current return activity and the provision is adjusted accordingly. Should actual returns exceed management's estimates, the provision may require further adjustment and accordingly, net sales may decrease.

*Product returns*

Consistent with industry practices, we may accept limited product returns or provide other credits in the event that a distributor holds excess inventory of our products. During the three-months ended June 30, 2009 and June 30, 2008, product returns totaled $646 and $11,136, respectively. Increased product returns during 2008, was primarily attributable to one customer's excess inventory purchases acquired during 2007. Our sales are made on credit terms, which vary depending on the nature of the sale. We believe we have established sufficient reserves to accurately reflect the amount or likelihood of product returns or credits and uncollectible receivables. However, there can be no assurance that actual returns and uncollectible receivables will not exceed our reserves.

**Results of Operations for the Three-months Ended June 30, 2009 Compared to the Three-months Ended June 30, 2008**

The following table sets forth the amount of increase or decrease represented by certain items reflected in our condensed consolidated statements of operations in comparing the three-months ended June 30, 2009 to the three-months ended June 30, 2008:

| (In thousands) | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2009 | 2008 | Change |
| Net sales | $ 729 | $ 792 | $ (63) |
| Costs and expenses: | | | |
| Cost of products sold | 618 | 642 | (24) |
| Salaries and wages | 243 | 251 | (8) |
| Selling and administrative | 101 | 221 | (120) |
| Total costs and expenses | 962 | 1,114 | (152) |
| Other (expense) income: | | | |
| Interest income | (176) | 1 | (177) |
| Interest expense | (42) | (78) | 36 |
| Total other expense | (218) | (77) | (141) |
| Net loss | $ (451) | $ (399) | $ (52) |

**Net Sales**

The following table outlines details related to sales and sales returns and the amount of increase or decrease reflected in net sales in comparing the three-months ended June 30, 2009 to the three-months ended June 30, 2008:

| **(in thousands)** | **Three Months Ended June 30,** | | |
|---|---|---|---|
| | **2009** | **2008** | **Change** |
| Gross sales | 723 | 809 | (86) |

| | | | |
|---|---|---|---|
| Sales returns and allowances | 6 | (17) | 23 |
| Net Sales | 729 | 792 | (63) |
| | | | |
| US domestic sales | 645 | 288 | 357 |
| US international sales | 80 | 198 | (118) |
| UK sales | 4 | 306 | (302) |
| Net Sales | 729 | 792 | (63) |

Net sales decreased by approximately $63,000 or approximately 8% from approximately $792,000 in the three months ending June 30, 2008 to approximately $729,000 in the three months ending June 30, 2009.

During the three-month period ending June 30, 2009, the cumulative historical rate of returns sales returns decreased from 3.81% to 3.50% resulting in a credit to sales returns of $6,000. During the three-month period ending June 30, 2008, the return rate increase from 3.61% to 3.88%. Overall, historical return rates have continued to decline as improvements have been made to the products.

Sales to one customer accounted for approximately $370,000, or 51% of the consolidated net sales for the three-months ended June 30, 2009 and the significant increase in US domestic sales. For the three-months ended June 30, 2008, sales to two customers accounted for approximately 29% and approximately 19% (for a total of 48%) of the consolidated net sales.

The US international sales decreased approximately $118,000 or 60%, from approximately $198,000 for the period ending June 30, 2008 to approximately $80,000 for the period ending June 30, 2009. This decrease is due entirely from the decline in sales from a single customer, which has been significantly affected by the global economy. The requirement still exists due to the use of fuels, which effect the oil replacement intervals which should produce similar sales as in the past once the economic conditions improve, although there can be no assurances.

The UK subsidiary's sales decreased by approximately $302,000 (approximately 99%), from approximately $306,000 to approximately $4,000 for the three-month period ended June 30, 2009 compared to the three-month period ended June 30, 2008. This decrease is primarily attributable to the decrease in sales to two customers by approximately $228,000 and $40,000, respectively. International sales totaled approximately $84,000 (12%) of the net consolidated sales for the three-month period ended June 30, 2009 as compared to approximately $504,000 (64%) for the comparable period in 2008.

**Cost of Products Sold**

Cost of products sold decreased by approximately $24,000, or 4%, from approximately $642,000 in 2008 to approximately $618,000 in 2009. Cost of products sold, as a percentage of sales, increased from approximately 81% in 2008 to approximately 85% in 2009. This increase is primarily attributable to an increase in scrap expense and inventory allowance of approximately $15,000 and $8,000, respectively.

**Salaries and Wages**

Salaries and wages decreased approximately $8,000, or approximately 3%. This decrease is the result of a decrease in salaries and wages of approximately $12,000 generated in the UK office, as the office was closed during the period ending June 30, 2009, This decrease was partially offset by additional salaries and wages expenses incurred in the US office.

**Selling and Administrative Expenses**

Selling and administrative expenses decreased by approximately $120,000, or approximately 54%. This decrease was due to exchange rate gains, decreases in UK office expenses and professional fees of approximately $173,000, $19,000, and $18,000, respectively. These decreases were partially offset by increases in stock based compensation expenses, reserve for bad debt and other expenses of approximately $41,000, $32,000 and $16,000, respectively.

**Interest Income**

Interest Income decreased approximately $176,000. This decrease is attributable to a reserve established against shareholder loan interest due that was previously accrued on a principal balance of $756,250 at 5.63% beginning July 25, 2001.

**Interest Expense**

Interest expense decreased by approximately $35,000, or approximately 45%, as a result of a decrease in the interest rate outstanding balance of the stockholder notes payable. The Company pays interest monthly on the notes payable to stockholder at prime rate less .5%, with rates reset as often as the Federal Reserve changes interest rates, which was 2.4% as of June 30, 2009 as opposed to 4.5% as of June 30, 2008.

**Results of Operations for the Six-months Ended June 30, 2009 Compared to the Six-months Ended June 30, 2008**

The following table sets forth the amount of increase or decrease represented by certain items reflected in the condensed consolidated statements of operations in comparing the six-months ended June 30, 2009 to the six-months ended June 30, 2008:

| (in thousands) | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2009 | 2008 | Change |
| Net sales | $ 1,028 | $ 1,555 | $ (527) |
| Costs and expenses: | | | |
| Cost of products sold | 978 | 1,267 | (289) |
| Salaries and wages | 483 | 507 | (24) |
| Selling and administrative | 444 | 483 | (39) |
| Total costs and expenses | 1,905 | 2,257 | (352) |
| Other income (expense): | | | |
| Interest income | (176) | 1 | (177) |
| Interest expense | (80) | (168) | 88 |
| Total other expense | (256) | (167) | (89) |
| Net loss | $ (1,133) | $ (869) | $ (264) |

**Net Sales**

The following table outlines details related to sales and sales returns and the amount of increase or decrease reflected in net sales in comparing the three-months ended June 30, 2009 to the three-months ended June 30, 2008:

| **(in thousands)** | **Six Months Ended June 30,** | | |
|---|---|---|---|
| | **2009** | **2008** | **Change** |
| Gross sales | 1,032 | 1,525 | (493) |
| Sales returns and allowances | (4) | 30 | (34) |
| Net Sales | 1,028 | 1,555 | (527) |
| US domestic sales | 844 | 630 | 214 |
| US international sales | 116 | 355 | (239) |
| UK sales | 68 | 570 | (502) |
| Net Sales | 1,028 | 1,555 | (527) |

Net sales decreased by approximately $527,000 or 34% from approximately $1,555,000 in 2008 to approximately $1,028,000 in 2009.

During the six-month period ending June 30, 2009, the cumulative historical rate of sales returns decreased from 3.87% to 3.50% resulting in an expense of approximately $4,000. During the six-month period ending June 30, 2008, the return rate decreased from 4.13% to 3.88%, resulting in a credit to sales return of approximately $30,000. Overall, historical return rates have continued to decline as improvements have been made to the products.

Sales to two customers individually accounted for approximately 36% and approximately 12% (for a total 48%) and approximately 24% and approximately 16% (for a total of 40%) of net sales for the six-months ended June 30, 2009 and 2008 respectively.

The US domestic sales increase approximately $214,000. An increase in sales to two customers, of approximately $370,000 and $30,000 respectively, accounted for the majority of the increase and were offset by small decreases in sales among several customer accounts.

The US international sales decreased approximately $239,000 or 67%, from approximately $355,000 for the period ending June 30, 2008 to approximately $116,000 for the period ending June 30, 2008. This decrease is due entirely from the decline in sales from a single international customer, which has been significantly affected by the global economy.

The UK subsidiary's sales decreased by approximately $502,000 or 89%, from approximately $570,000 for the period ending June 30, 2008, to approximately $68,000 for the period ending June 30, 2009. Sales to two of the UK subsidiary's customers decreased by approximately $336,000 and $98,000, respectively, from approximately $369,000 and $141,000, respectively for the period ending June 30, 2008 to approximately $33,000 and $43,000, respectively for the period ending June 30, 2009. We believe that the decline in the global economy has contributed to this significant decline in our international sales volume.

**Cost of Products Sold**

Cost of products sold decreased by approximately $289,000, or 23%, from approximately $1,267,000 in 2008 to approximately $978,000 in 2009. Cost of products sold, as a percentage of sales, increased from approximately 81% in 2008 to approximately 95% in 2009. The increase is attributable to the significant decrease in sales during the first quarter of 2009 and allocation of fixed and variable factory costs over fewer sales. Additionally, increases occurred in rent and warranty expenses of approximately $21,000 and $8,000. These increases were partially offset by decreases in direct and indirect labor, freight and scrap expense of approximately $79,000, $23,000, $51,000 and $27,000 respectively.

**Salaries and Wages**

Salaries and wages decreased approximately $24,000, or approximately 5%. This decrease is the result of a decrease in salaries and wages of approximately $16,000 generated in the UK office and approximately $11,000 due to an Engineering vacancy for the period ending March 31, 2009. This decrease was partially offset by additional salaries and wages expenses incurred in the US office.

**Selling and Administrative Expenses**

Selling and administrative expenses decreased by approximately $39,000 or approximately 8% from approximately $483,000 for the six months ended June 30, 2008 to approximately $444,000 for the six months ended June 30, 2009. This decrease was due to exchange rate gains, decreases in UK office expenses, professional fees, sales and marketing and depreciation of approximately $136,000, $35,000, $31,000, $16,000 and $12,000, respectively. These decreases were partially offset by increases in stock based compensation expenses, reserve for bad debt and other expenses of approximately $131,000, $42,000 and $16,000, respectively.

**Interest Income**

Interest Income decreased approximately $177,000. This decrease is attributable to a reserve established against shareholder loan interest due that was previously accrued on a principal balance of $756,250 at 5.63% beginning July 25, 2001

**Interest Expense**

Interest expense decreased by approximately $88,000, or approximately 52%, as a result of a decrease in the interest rate outstanding balance of the stockholder notes payable. The Company pays interest monthly on the notes payable to stockholder at prime rate less .5%, with rates reset as often as the Federal Reserve changes interest rates, which was an average of 2.4% for the six months ended June 30, 2009 as opposed to an average of 5.2% for the six months ended June 30, 2008.

**Liquidity and Capital Resources**

As of June 30, 2009, the Company had cash and cash equivalents of approximately $59,000, as compared to approximately $117,000 at December 31, 2008. At June 30, 2009, we had working capital of approximately $26,000 and our current ratio (current assets to current liabilities) was 1.01 to 1. At December 31, 2008 we had working capital of approximately $245,000 and our current ratio was 1.16 to 1. The decrease in working capital and current ratio is primarily attributable to the decrease in accounts receivable (approximately $312,000), a decrease in cash (approximately $58,000), and a decrease in accounts in accounts payable (approximately $45,000) offset by increases in inventory allowance (approximately $45,000), decrease in accounts receivable (approximately $312,000) and decreases in prepaid expenses (approximately $71,000).

We have incurred net losses each year since inception and at June 30, 2009 we had an accumulated deficit of $49,603,155. Our net sales are not sufficient to fund our operating expenses. Historically, we have relied on the sale of our stock from time to time and loans from third parties and from related parties to fund our operations. During 2008, we raised a total of $1.727 million in capital from an institutional investor and current stockholders and during the six months ended June 30, 2009 we raised an additional $.783 million. During July and August 2009, we raised $0.6 million. In addition, as of June 30, 2009, we owe our CEO $6.27 million for funds he has advanced to us from time to time for working capital. Interest expense on this loan was approximately $75,000 for the six months ended June 30, 2009.

We do not currently have any commitments for capital expenditures. Currently, without additional equity investments, we expect our operating cash flows will suffice through 2009. We are actively seeking additional equity investments, however, it is possible we will be required to accelerate our contingent plans to more aggressively reduce spending as described below. The impact of the global economy will continue to affect our revenue levels for a portion of the remainder of 2009 and while we anticipate cash flows from 2009 sales activity to be stronger toward the end of the year. Our cash flows will to be comparable to 2008 and cash may still be needed to support operations, meet our working capital needs and satisfy our obligations as they become due. In addition, as set forth above, we owe one of our directors $6.27 million which is due on December 31, 2010 or (i) at such time as we have raised an additional $7 million over the $3.5 million raised in prior offerings, or (ii) at such time as we are operating within sufficient cash flow parameters to sustain operations, or (iii) until a disposition of our company, such as an acquisition or merger, occurs. We do not have sufficient funds to pay this loan when it becomes due and there are no assurances our director will extend the due date. We continue to address liquidity concerns because of inadequate revenue growth. As a result, cash flow from operations is insufficient to cover our liquidity needs for the next twelve months of operations. We have implemented measures to preserve our ability to operate, including organizational changes, a reduction and/or deferral of salaries, reduction in personnel and renegotiating creditor and collection arrangements. If budgeted sales levels are not achieved and/or significant unanticipated expenditures occur, or if we are not able to raise additional investment capital, we may have to modify our business plan, reduce or discontinue some of our operations or seek a buyer for part of its assets to continue as a going concern through 2009. There can be no assurance that we will be able to raise additional capital or that sales will increase to the level required to generate profitable operations to provide positive cash flow from operations. In that event, it is possible that stockholders could lose their entire investment in our company. These factors raise substantial doubt about our ability to continue as a going concern.

Operating activities

For the six-month period ended June 30, 2009 net cash used in operating activities was approximately $582,000, which primarily resulted from the net loss of approximately $1,133,000. The effect of the net loss on working capital is offset by a decrease in accounts receivable (approximately $312,000), an increase in accrued liabilities (approximately $152,000), a decrease in inventory (approximately $145,000), and a decrease in prepaid expenses (approximately $71,000).

*Investing activities*

For the six months ending June 30, 2009, $8,000 cash was used in investing activities.

*Financing activities*

Net cash provided by financing activities was approximately $683,000 for the period, due to $783,000 of net proceeds received from stock issued for cash offset by a $100,000 reduction of the stockholder loan.

**Critical Accounting Policy**

**New Accounting Standards**

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events" ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this statement did not have a material effect on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 166 "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 166 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities", as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166 and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 168 "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162". The FASB Accounting Standards Codification ("Codification") will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in SFAS 168. All other accounting literature not included in the Codification is nonauthoritative. The Company is evaluating the impact the adoption of SFAS 168 will have on its financial statements.

Impact of Inflation

Inflation has not had a significant impact on our operations. However, any significant decrease in the price for oil or labor, environmental compliance costs, and engine replacement costs could adversely impact the end users cost/benefit analysis as to the use of our products. The impact of fluctuations in foreign currency has not been significant. The exchange rate, the Great British pound to the U.S. dollar fluctuated from 1.4479 on December 31, 2008 to 1.652on June 30, 2009 as compared to 1.9973 on December 31, 2008 to 1.9954 on June 30, 2008.

Off Balance Sheet Financing

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable for a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Our management, which includes our CEO and our Chief Financial Officer, have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) promulgated under the Securities and Exchange Act of 1934, as amended) as of a date (the "Evaluation Date") as of the end of the period covered by this report. Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. 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, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. 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.

Based upon that evaluation, our management has concluded that as of the Evaluation Date our disclosure controls and procedures are effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On July 7, 2009 the Company filed a lawsuit in the Circuit Courts in 15th Judicial District in an for Palm Beach County, Florida, styled Puradyn Filter Technologies, Inc. versus Richard C. Ford case number 502009CA023128XXXXMB. In this action against Mr. Ford, our former Chief Executive Officer, the Company is alleging non-payment of three promissory notes totaling $756,250 with interest at a rate of 5.63% per annum since July 25, 2001, the execution date of the notes. As of July 25, interest on all three notes amounts to $340,615, for an aggregate amount owing of $1,096,865. At the time of the execution of these promissory notes, Mr. Ford was Chief Executive Officer of the Company and drafter of these instruments. The Company is seeking payment of the promissory notes and accrued interest. On August 7, 2009, Mr. Ford responded by filing a Motion to Disqualify the Company's legal counsel, Gary E. Susser and request a staying action until such time as the Company obtains new legal counsel.

ITEM 1A. RISK FACTORS.

Risk factors describing the major risks to our business can be found under Item 1A, "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2008. There has been no material change in our risk factors from those previously discussed in the Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In July 2009, the Company received an advances totaling $100,000 from a member of the Board, which was converted into 370,370 shares of common stock at a conversion price of $0.27 per share on July 17, 2009. As part of the offering the Company awarded warrants to purchase 92,593 shares of common stock at a price of $0.50, which expire July 17, 2014. As the investor was an accredited investor, the transaction was exempt from registration under the Securities Act of 1933 in reliance on an exemption provided by Section 4(2) of that act. The Company did not incur commissions or fees related to this transaction

On July 17, 2009, the Company received additional proceeds of $100,000 from the sale of 370,370 shares of common stock at a price of $0.27 per share from an accredited investor, which was subsequently converted into 370,370 shares of common stock at a conversion price of $0.27 per share. As part of the offering the Company awarded warrants to purchase 92,593 shares of common stock at a price of $0.50, which expire July 17, 2014. The investor was an accredited investor and the

transaction was exempt from registration under the Securities Act of 1933 in reliance on an exemption provided by Section 4(2) of that act. The Company did not incur commissions or fees related to this transaction.

Between August 1, 2009 and August 12, 2009 the Company received proceeds of $700,000 from six investors for the sale of 2,115,752 shares of common stock as a price of $.31 and $.34 per share and as part of the offering, awarded 211,575 warrants to purchase common stock at a price of $.50, which expire in August 2019. The investors were accredited investors and the transactions were exempt from registration under the Securities Act of 1933 in reliance on an exemption provided by Section 4(2) of that act. The Company did not incur commissions or fees related to this transaction

ITEM 3. DEFAULT UPON SENIOR SECURITIES.

None

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

None

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

31.1 Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer
31.2 Rule 13a-14(a)/15d-14(a) certificate of Chief Financial Officer
32.1 Section 1350 certification of Chief Executive Officer
32.2 Section 1350 certification of Chief Financial Officer

SIGNATURES

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 thereunto duly authorized.

PURADYN FILTER TECHNOLOGIES INCORPORATED

Date: August 13, 2009

By /s/ Joseph V. Vittoria
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Joseph V. Vittoria, Chairman and Chief Executive Officer

Date: August 13, 2009

By /s/ Cindy Lea Gimler
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Cindy Lea Gimler, Chief Financial Officer

**Exhibit 31.1**
**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph V. Vittoria, certify that:

1.I have reviewed this quarterly report on Form 10-Q for the six months ended June 30, 2009 of Puradyn Filter Technologies Incorporated (the "Company");

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) an 15d-15(f)) for the registrant and have:

a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2009

/s/ Joseph V. Vittoria
Joseph V. Vittoria
Chairman and Chief Executive Officer, principal executive officer

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Cindy Lea Gimler, certify that:

2.I have reviewed this quarterly report on Form 10-Q for the six months ended June 30, 2009 of Puradyn Filter Technologies Incorporated (the "Company");

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) an 15d-15(f)) for the registrant and have:

a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2009

/s/ Cindy Lea Gimler
Cindy Lea Gimler
Chief Financial Officer, principal financial and accounting officer

**Exhibit 32.1**

**Section 1350 certification of Chief Executive Officer**

I, Joseph V. Vittoria, Chief Executive Officer of Puradyn Filter Technologies Incorporated ("the Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 13, 2009

/s/ Joseph V Vittoria

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Name: Joseph V. Vittoria
Title: Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**Section 1350 certification of Chief Financial Officer**

I, Cindy Lea Gimler, Chief Financial Officer of Puradyn Filter Technologies Incorporated ("the Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 13, 2009

/s/ Cindy Lea Gimler

_____

Name: Cindy Lea Gimler
Title: Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.