

POWER EFFICIENCY CORP
Form 10-Q
August 14, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2008

OR

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

For the transition period from _____ to _____

Commission File No. **0-31805**

POWER EFFICIENCY CORPORATION

(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

22-3337365

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

**3960 Howard Hughes Pkwy, Ste 460
Las Vegas, NV 89169**

(Address of Principal Executive
Offices)

(702) 697-0377

(Issuer's Telephone Number,
Including Area Code)

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

Indicate by check mark whether the registrant is a 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. (Check one):

Large Accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company

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

The number of shares outstanding of the Issuer's Common Stock, \$.001 par value, as of July 31, 2008 was 40,486,441.

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

POWER EFFICIENCY CORPORATION
FORM 10-Q INDEX

PART I - FINANCIAL INFORMATION	
ITEM 1. Financial Statements	3
Condensed Balance Sheet as of June 30, 2008 and December 31, 2007	3
Condensed Statements of Operations for the three months ended June 30, 2008 and 2007 and six months ended June 30, 2008 and 2007	4
Condensed Statements of Cash Flows for the six months ended June 30, 2008 and 2007	5
Notes to Condensed Financial Statements	6
ITEM 2. Management's Discussion and Analysis Or Plan of Operation	7-10
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	10
ITEM 4T. Controls and Procedures	11
Part II — OTHER INFORMATION	
ITEM 1. Legal Proceedings	12
ITEM 2. Changes in Securities and Use of Proceeds	12
ITEM 3. Defaults Upon Senior Securities	12
ITEM 4. Submission of Matters to a Vote of Security Holders	12
ITEM 5. Other Information	13
ITEM 6. Exhibits and Reports on Form 8-K	13
Signatures	14
Certification of Chief Executive Officer as Adopted	
Certification of Chief Financial Officer as Adopted	

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****POWER EFFICIENCY CORPORATION**
CONDENSED BALANCE SHEET

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,602,868	\$ 5,086,378
Accounts receivable, net	132,756	109,252
Inventory	218,703	131,762
Prepaid expenses and other current assets	76,218	41,296
Total Current Assets	4,030,545	5,368,688
PROPERTY AND EQUIPMENT, Net	169,697	112,106
OTHER ASSETS:		
Patents, net	63,905	39,746
Deposits	48,224	122,263
Goodwill	1,929,963	1,929,963
Total Other Assets	2,042,092	2,091,972
Total Assets	\$ 6,242,334	\$ 7,572,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 542,663	\$ 586,458
Customer deposits	-	1,605
Total Current Liabilities	542,663	588,063
LONG TERM LIABILITES		
Deferred Rent	12,375	12,063
Total Liabilities	555,038	600,126
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Series B Convertible Preferred Stock, \$.001 par value, 10,000,000 shares authorized, 140,000 issued and outstanding in 2008, 134,400 issued and outstanding in 2007	140	134
Common stock, \$.001 par value, 140,000,000 shares authorized, 40,411,858 issued and outstanding in 2008, 40,367,523 issued and outstanding in 2007	40,412	40,368
Additional paid-in capital	34,391,838	33,741,902
Accumulated deficit	(28,745,094)	(26,809,764)

Total Stockholders' Equity		5,687,296		6,972,640
Total Liabilities and Stockholders' Equity	\$	6,242,334	\$	7,572,766

Accompanying notes are an integral part of the financial statements

3

POWER EFFICIENCY CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
Unaudited

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
REVENUES	\$ 164,644	\$ 230,195	\$ 298,339	\$ 266,810
COMPONENTS OF COST OF SALES				
Materials, labor and overhead	132,288	153,705	230,451	188,344
Inventory obsolescence	24,577	-	24,577	-
Total Cost of Sales	156,865	153,705	255,028	188,344
GROSS MARGIN	7,779	76,490	43,311	78,466
COSTS AND EXPENSES:				
Research and development	264,741	138,091	426,139	232,803