

POWER EFFICIENCY CORP
Form 10KSB/A
April 13, 2005

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-KSB/A

Amendment No. 1

ý Annual report under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the fiscal year ended December 31, 2004

o Transition report under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from to

Commission File Number: 000-31805

Power Efficiency Corporation

(Name of Small Business Issuer in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

3900 Paradise Rd. Ste 283
Las Vegas, NV
(Address of Principal Executive Offices)

22-3337365
(I.R.S. Employer Identification No.)

89109
(Zip Code)

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(702) 697-0377

(Issuer's Telephone Number, Including Area Code)

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

Common Stock, \$.001 Par Value

(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The issuer's revenues for the year ended December 31, 2004 were \$284,373.

As of March 11, 2005, the aggregate market value of the common stock held by non-affiliates of the issuer was approximately \$565,913. This amount is based on the closing price of \$0.30 per share for the registrant's stock as of such date.

On March 11, 2005 there were 5,020,477 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference

None

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-KSB/A to Power Efficiency Corporation's (the Company or the Registrant) Annual Report on Form 10-KSB for the year ended December 31, 2004 (the Original Filing), which was filed with the Securities and Exchange Commission on March 31, 2005, is being filed to amend the Original Filing as follows:

Item 6. Management's Discussion and Analysis is amended to properly reflect the Company's Financial Condition, Liquidity and Capital Resources: For the Year Ended December 31, 2004 information.

Item 7. Financial Statements is amended to revise the Cash Flow Statement to properly reflect the Company's cash flows for the year ended December 31, 2004.

This Amendment No. 1 is filed pursuant to the Securities and Exchange Commission Release No. 34-50754 which provides for 45 additional days beyond the date of the Original Filing for the filing of the above.

As a result of these amendments, the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed as exhibits to the Original Filing, have been re-executed and re-filed as of the date of this Form 10-KSB/A.

Except for the amendments described above, this Form 10-KSB/A does not modify or update other disclosures in, or exhibits to, the Original Filing.

Financial Condition, Liquidity, and Capital Resources: For the Year Ended December 31, 2004

Since inception, the Registrant has financed its operations primarily through the sale of its equity securities. As of December 31, 2004 the Registrant has received a total of approximately \$6,254,800 from public and private offerings of its equity securities, received approximately \$445,386 under a bank line of credit (which was repaid during 2002), and received \$1,000,000 under a line of credit with a shareholder (which was converted to Series A-1 Preferred Convertible shares during 2003). In October 2004, the Company received \$1,464,806 in debt financing through a debt offering arranged by a placement agent, Pali Capital. Of this total, \$300,000 plus accrued interest was converted from borrowings with the same shareholder as referenced above. As of December 31, 2004 the Registrant had cash and cash equivalents of \$392,471. In February 2005, the Registrant received an additional \$125,000 in debt financing under this same debt offering.

Net cash used for operating activities for the twelve months ended December 31, 2004 was \$1,396,151 which primarily consisted of: a net loss of \$2,465,631; less allowances for inventory obsolescence of \$29,484, depreciation and amortization of \$116,294, loss on disposition of fixed assets of \$31,036, amortization of debt discounts of \$97,000, warrants and options issued in connection with settlements, services from consultants and vendors, the forgiveness of indebtedness and the issuance of debt of \$550,969, an increase in restricted cash related to a note payable of \$219,721, decreases in accounts receivable of \$1701, inventory of \$143,396 and prepaid expenses and other of \$13,079. In addition,

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these amounts were partially offset by an increase in accounts payable and accrued expenses of \$142,830 and accrued salaries and payroll taxes of \$84,841.

Net cash used for operating activities for the twelve months ended December 31, 2003 was \$2,028,798 which primarily consisted of: a net loss of \$3,016,717; less allowances for bad debts and customer returns of \$17,000, allowances for inventory obsolescence of \$100,000 and impairment of customer contracts of \$40,948, depreciation and amortization of \$120,700, additional paid in capital related to issuance of stock options of \$77,158, common stock issued for services of \$614,991, interest converted to debt of \$46,896 and decreases in accounts receivable of \$31,511 and inventory of \$43,353. In addition, these amounts were partially offset by an increase in prepaid expenses of \$18,832 and deposits of \$2,646, and decreases in accounts payable and accrued expenses of \$63,866 and accrued salaries and payroll taxes of \$19,294.

Net cash used in investing activities for fiscal year 2004 was \$10,187, compared to \$42,617 in fiscal year 2003. The amount for fiscal year 2004 consisted of the purchase of property, equipment and other assets of \$14,657, which was offset by the proceeds from the sale of property, equipment and other assets of \$4,470. The amount for fiscal year 2003 entirely consisted of the purchase of property, equipment and other assets.

Net cash provided by financing activities for fiscal year 2004 was \$1,513,300 which primarily consisted of proceeds from the issuance of debt securities of \$300,000, from which a \$15,000 fee was paid, the issuance of additional debt securities of \$1,150,000, from which a fee of \$115,000 was paid. These amounts were offset by an increase in deferred financing costs of \$117,885 and the payment on loans from stockholders of \$40,000. Net cash provided by financing activities for fiscal year 2003 was \$2,099,215, which primarily consisted of proceeds from the issuance of equity securities of \$1,131,965, net of costs, and advances from line of credit of \$1,000,000; off-set by deferred financing costs of \$32,750.

The Registrant expects to experience growth in its operating expenses, particularly in research and development and selling, general and administrative expenses, for the foreseeable future in order to execute its business strategy. As a result, the Registrant anticipates that operating expenses will constitute a material use of any cash resources.

POWER EFFICIENCY CORPORATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2004	2003
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Net loss	\$ (2,465,631)	\$ (3,016,717)
Adjustments to reconcile net loss to net cash used for operating activities:		
Bad debt expense	5,493	17,000
Inventory obsolescence reserve	29,484	100,000
Impairment of customer contracts	20,141	40,948
Depreciation and amortization	116,294	120,700
Loss on disposition of fixed assets	31,036	
Debt discount related to issuance of debt securities	97,000	
Warrants and options issued in connection with settlements, services from former employees, consultants and vendors, the forgiveness of indebtedness and the issuance of debt	550,969	
Issuance of stock options below market value		77,158
Common stock issued for services	34,819	614,991
Accrued interest on converted debt		46,896
Changes in certain assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,701	31,511
Inventory	143,369	43,353
Prepaid expenses and other	13,079	(18,832)
Restricted cash related to payment of indebtedness	(219,721)	
Deposits	18,146	(2,646)
Increase (decrease) in:		
Accounts payable and accrued expenses	142,830	(63,866)
Accrued salaries and payroll taxes	84,841	(19,294)
Net Cash Used for Operating Activities	(1,396,150)	(2,028,798)
<u>INVESTING ACTIVITIES:</u>		
Purchase of property, equipment and other assets	(14,657)	(42,617)
Proceeds from the sale of property, equipment and other assets	4,470	
Net Cash Used for Investing Activities	(10,187)	(42,617)
<u>FINANCING ACTIVITIES:</u>		
Deferred financing costs	(117,885)	(32,750)
Proceeds from issuance of equity securities, net of costs	181,045	1,131,965
Proceeds from issuance of debt securities, net of costs	1,464,806	
Advances from line of credit agreement		1,000,000
Loans from stockholders, officers, and former officers	25,334	
Payments on loans to stockholders, officers and former officers	(40,000)	
Net Cash Provided by Financing Activities	1,513,300	2,099,215
INCREASE IN CASH	106,963	27,800
CASH		
Beginning of year	285,508	257,708
End of year	\$ 392,471	\$ 285,508

See report of independent registered public accounting firm and notes to financial statements.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POWER EFFICIENCY CORPORATION

Dated: April 5, 2005

*By: /s/ Steven Strasser
Steven Strasser, President and
Chief Executive Officer*

Dated: April 5, 2005

*By: /s/ John Lackland
John Lackland, Interim Chief
Financial Officer*