

POWER EFFICIENCY CORP  
Form 10QSB  
May 16, 2005

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-QSB**

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

For the quarterly period ended: March 31, 2005

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)

**3900 Paradise Road, Suite 283**  
**Las Vegas, NV 89109**  
(Address of Principal Executive Offices)

**22-3337365**

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

**(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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

The number of shares outstanding of the Issuer's Common Stock, \$.001 Par Value, as of March 31, 2005 was 5,020,418.

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



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

Unaudited

	<b>March 31, 2005</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 73,544
Accounts receivable, net	30,916
Inventory, net of reserve	187,541
Prepaid expenses and other current assets	198,135
<b>Total Current Assets</b>	<b>490,136</b>
<b>PROPERTY AND EQUIPMENT, Net</b>	<b>21,209</b>
<b>OTHER ASSETS:</b>	
Patents, net	6,379
Goodwill	1,929,963
Website, net	8,146
Deferred financing costs, net	100,025
<b>Total Other Assets</b>	<b>2,044,513</b>
<b>Total Assets</b>	<b>\$ 2,555,858</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued expenses	\$ 545,988
Accrued salaries and payroll taxes	65,632
Notes payable - former officers	76,870
<b>Total Current Liabilities</b>	<b>688,490</b>
<b>LONG TERM LIABILITIES</b>	
Notes payable - Pali Capital, net	1,150,004
Notes payable - former officers	4,471
<b>Total Long Term Liabilities</b>	<b>1,154,475</b>
	<b>1,842,965</b>
<b>STOCKHOLDERS' EQUITY:</b>	
Series A-1 Convertible Preferred Stock, \$.001 par value, 10,000,000 shares authorized, 3,328,737 shares issued and outstanding	3,329
Common stock, \$.001 par value, 7,142,857 shares authorized, 5,020,418 issued and outstanding	5,020
Additional paid-in capital	16,412,791
Accumulated deficit	(15,708,247)
<b>Total Stockholders' Equity</b>	<b>712,893</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,555,858</b>

Accompanying notes are an integral part of the financial statements



**POWER EFFICIENCY CORPORATION**  
**CONDENSED STATEMENTS OF OPERATIONS**

Unaudited

	For the three months ended March 31,	
	2005	2004
<b>REVENUES:</b>		
Product	\$ 51,091	\$ 84,288
Miscellaneous		5,250
Total Revenues	51,091	89,538
<b>COMPONENTS OF COST OF SALES:</b>		
Material, labor and overhead	40,458	65,113
Inventory obsolescence and other write-offs		29,484
Total Cost of Sales	40,458	94,597
<b>GROSS MARGIN (LOSS)</b>	<b>10,633</b>	<b>(5,059)</b>
<b>COSTS AND EXPENSES:</b>		
Research and development	55,404	114,194
Selling, general and administrative	191,542	448,040
Depreciation and amortization	20,558	18,520
Total Costs and Expenses	267,504	580,754
<b>LOSS FROM OPERATIONS</b>	<b>(256,871)</b>	<b>(585,813)</b>
<b>OTHER EXPENSE:</b>		
Interest expense	(124,745)	(1,324)
Total Other Expenses	(124,745)	(1,324)
<b>NET LOSS</b>	<b>\$ (381,616)</b>	<b>\$ (587,137)</b>
<b>BASIC AND FULLY DILUTED LOSS PER COMMON SHARE</b>		