

Edgar Filing: Platform Specialty Products Corp - Form 10-K

Platform Specialty Products Corp
Form 10-K
March 13, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-36272

(Exact name of Registrant as specified in its charter)

Delaware 37-1744899
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1450 Centrepark Boulevard, Suite 210 33401
West Palm Beach, Florida (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (561) 207-9600

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

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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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K.

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 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

The number of shares of common stock outstanding as of February 24, 2017 was 284,247,248. The aggregate market value of the common stock held by non-affiliates as of June 30, 2016 was approximately \$1.32 billion, based upon the last reported sales price for such date on the NYSE. All (i) executive officers and directors of the registrant and (ii) all persons who hold 10% or more of the registrant's outstanding common stock have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement for its 2017 annual meeting of stockholders, which 2017 Proxy Statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2016, are hereby incorporated by reference in Part III of this 2016 Annual Report on Form 10-K.

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
Platform; Successor; We; Us; Our; the Company	Platform Specialty Products Corporation, a Delaware corporation, and its subsidiaries, collectively, for all periods subsequent to the MacDermid Acquisition.
Acquisitions	Agriphar Acquisition, Alent Acquisition, Arysta Acquisition, CAS Acquisition, MacDermid Acquisition, OMG Acquisition and OMG Malaysia Acquisition, collectively.
Agriphar Agriphar Acquisition	Percival and its agrochemical business, Agriphar. Acquisition of a 100% interest in Agriphar, completed on October 1, 2014.
AIs	Active ingredients.
Alent	Alent plc, a formerly public limited company registered in England and Wales.
Alent Acquisition	Acquisition of a 100% interest in Alent, completed on December 1, 2015 under the U.K. Companies Act 2006, as amended.
Amended and Restated Credit Agreement	Platform's Second Amended and Restated Credit Agreement, dated as of August 6, 2014, among, inter alia, Platform, MacDermid Holdings, MacDermid, the subsidiaries of Platform and MacDermid Holdings from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent, as amended on August 6, 2014 (Amendment No. 2), October 1, 2014 (Incremental Amendment No. 1), February 13, 2015 (Amendment No. 3), December 3, 2015 (Amendment No. 4), October 14, 2016 (Amendment No. 5) and December 6, 2016 (Amendment No. 6).
AROs	Asset retirement obligations.
Arysta	Arysta LifeScience Limited, a formerly Irish private limited company.
Arysta Acquisition	Acquisition of a 100% interest in Arysta, completed on February 13, 2015.
Arysta Seller	Nalozo, L.P., an affiliate of Nalozo S.à.r.l., who became the seller in the Arysta Acquisition pursuant to an amendment to the share purchase agreement dated February 11, 2015.
ASC	Accounting Standard Codification.
Asset-Lite, High-Touch	Platform's philosophy and business model focused on dedicating extensive resources to research and development and highly technical customer service teams, while limiting investments in fixed assets and capital expenditures.
ASU	Accounting Standards Update.
Board	Platform's board of directors.
Bribery Act	The United Kingdom Bribery Act 2010.
CAS	Chemtura AgroSolutions business of Chemtura.
CAS Acquisition	Acquisition of a 100% interest in CAS, completed on November 3, 2014.
Chemtura	Chemtura Corporation, a Delaware corporation.
Credit Facilities	The First Lien Credit Facility and the Revolving Credit Facility, collectively, available under the Amended and Restated Credit Agreement.
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
Domestication	Platform's change of jurisdiction of incorporation from the British Virgin Islands to Delaware on January 22, 2014.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EPS	Earnings per share.
ESPP	Platform Specialty Products Corporation 2014 Employee Stock Purchase Plan, adopted by the Board on March 6, 2014 and approved by Platform's stockholders at the annual meeting held on June 12,

	2014.
E.U.	European Union.
Exchange Act	Securities Exchange Act of 1934, as amended.
Exchange Agreement	Exchange Agreement, dated October 25, 2013, between Platform and the fiduciaries of the MacDermid, Incorporated Profit Sharing and Employee Savings Plan.
FASB	Financial Accounting Standard Board.
FCPA	Foreign Corrupt Practices Act of 1977.

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
February 2015 Notes Offering	Platform's private offering of \$1.10 billion aggregate principal amount of 6.50% USD Notes due 2022 and €350 million aggregate principal amount of 6.00% EUR Notes due 2023, completed on February 2, 2015.
First Lien Credit Facility	First lien credit facility available under the Amended and Restated Credit Agreement.
Founder Entities	Mariposa Acquisition, LLC and Berggruen Holdings Ltd. and its affiliates, collectively.
GAAP	Generally accepted accounting principles in the United States.
GBP	Platform's Global BioSolutions Portfolio within its Agricultural Solutions segment, which includes biostimulants, innovative nutrition and biocontrol products.
GVAP	Platform's Global Value Added Portfolio within its Agricultural Solutions segment, which includes products in the herbicides, insecticides, fungicides and seed treatment categories, based on patented or proprietary off-patent AIs.
H ³ Priority Segments	Agricultural Solutions' five priority segments selected for their high growth and value potential, namely Crop Establishment, Plant Stress and Stimulation, Resistant Weed Management, Specialty Protection Niches and Crop Residue Management.
HSRA Act	Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board.
Initial Public Offering	Initial public offering of Platform (formerly named "Platform Acquisition Holdings Limited") completed on the London Stock Exchange on May 22, 2013, raising net proceeds of approximately \$881 million.
June 2015 Equity Offering	Platform's public offering of 18,226,414 shares of its common stock at a public offering price of \$26.50 per share, which closed on June 29, 2015, raising gross proceeds of approximately \$483 million.
LTCB	Platform's Long Term Cash Bonus plan, established in March 2015.
MacDermid	MacDermid, Incorporated, a Connecticut corporation.
MacDermid Acquisition	Platform's acquisition on October 31, 2013 of substantially all of the equity of MacDermid Holdings, which, at the time, owned approximately 97% of MacDermid. As a result, Platform became a holding company for the MacDermid business. Platform acquired the remaining 3% of MacDermid on March 4, 2014, pursuant to the terms of the Exchange Agreement.
MacDermid Holdings	MacDermid Holdings, LLC.
May 2014 Private Placement	Platform's private placement of an aggregate of 15,800,000 shares of its common stock completed on May 20, 2014 at a purchase price of \$19.00 per share, raising gross proceeds of approximately \$300 million.
May Resale Registration Statement	Registration Statement filed on May 23, 2014 to register the resale of all of the shares sold in the May 2014 Private Placement and declared effective on June 19, 2014.
MAS Holdings	MacDermid Agricultural Solutions Holdings B.V., a company organized under the laws of the Netherlands and a subsidiary of Platform.
NAV	Net asset value.
November 2014 Public Offering	Platform's public offering of 16,445,000 shares of its common stock completed on November 17, 2014 at a public offering price of \$24.50 per share, raising gross proceeds of approximately \$403 million.
November 2015 Notes Offering	Platform's private offering of \$500 million aggregate principal amount of 10.375% USD Notes due 2021, completed on November 10, 2015.
November Resale Registration Statement	Registration statement filed on November 3, 2014 to register the resale of all of the shares sold in the October/November 2014 Private Placement and declared effective on November

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	10, 2014.
NYSE	New York Stock Exchange.
October/November 2014 Private Placement	Platform's private placement of an aggregate of 16,060,960 shares and 9,404,064 shares of its common stock completed on October 8, 2014 and November 6, 2014, respectively, at a price of \$25.59 per share, raising aggregate gross proceeds of approximately \$652 million.
OEM	Original Equipment Manufacturer.
OMG	OM Group, Inc. (NYSE:OMG), a Delaware corporation.
OMG Businesses	OMG's Electronic Chemicals and Photomasks businesses, collectively, other than their Malaysian subsidiary acquired separately.

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
OMG Acquisition	Platform's acquisition of the OMG Businesses completed on October 28, 2015. OMG Electronic Chemicals (M) Sdn Bhd, a subsidiary of OMG located in Malaysia, acquired separately by Platform in the OMG Malaysia Acquisition.
OMG Malaysia	Platform's acquisition of 100% interest in OMG Malaysia completed on January 31, 2016.
OMG Malaysia Acquisition	Public Company Accounting Oversight Board.
PCAOB	Platform Delaware Holdings, Inc., a subsidiary of Platform.
PDH	Shares of common stock of PDH.
PDH Common Stock	Percival S.A., a société anonyme incorporated and organized under the laws of Belgium, acquired by
Percival	

Pershing Square	Platform on October 1, 2014. Pershing Square Capital Management, L.P.
Predecessor	MacDermid and its subsidiaries, collectively, for all periods prior to the MacDermid Acquisition.
Predecessor 2012 Period	MacDermid's fiscal year ended December 31, 2012.
Predecessor 2013 Period	Ten-month period from January 1, 2013 through October 31, 2013.
PSP 401(k) Plan	Platform Specialty Products Corporation Employee Savings & 401(k) Plan, effective January 1, 2014.
REACH	Regulation (EC) No 1907/2006 of the European Parliament and the Council dated December 18, 2006 relating to the Registration, Evaluation, Authorization and Restriction of Chemicals, effective June 1, 2007.
Retaining Holder	Each Holder of an equity interest of

Revolving Credit
Facility

RHSA

MacDermid
Holdings
immediately
prior to the
closing of the
MacDermid
Acquisition, not
owned by
Platform, who
executed a
RHSA.
Revolving
Credit Facility
(in U.S. Dollars
or
multicurrency)
available under
the Amended
and Restated
Credit
Agreement.
Retaining
Holder
Securityholders'
Agreement
dated as of
October 31,
2013 entered
into by and
between
Platform and
each Retaining
Holder relating
to the exchange
of their
respective
equity interests
in MacDermid
Holdings for
shares of PDH
Common Stock.

POWER EFFICIENCY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 Issuance of Series B Convertible Preferred Stock (continued)

and a warrant to purchase 50 shares of the Company's common stock, resulting in the sale and issuance of an aggregate of 5,600 shares of Series B Preferred Stock and warrants to purchase, initially, up to 280,000

shares of the Company's common stock (the Warrants), in a private offering for \$280,000 in cash.

In connection with the offering, the Company agreed to use its reasonable best efforts to file a registration statement (the Registration Statement) to register the common stock issuable upon conversion of the Series B Preferred Stock issued, as well as the common stock issuable upon exercise of the Warrants, not later than 60 days from the termination date of the Offering (the Termination Date), and must use its reasonable best efforts to have the Registration Statement declared effective not later than 120 days from the Termination Date.

Each share of Series B Preferred Stock is initially convertible into 100 shares of the Company's common stock, subject to adjustment under certain circumstances. The Series B Preferred Stock is convertible at the option of the holder at any time. The Series B Preferred Stock is also subject to mandatory conversion in the event the average closing price of the Company's common stock for any ten day period equals or exceeds \$1.00 per share, such conversion to be effective on the trading day immediately following such ten day period. The Series B Preferred Stock has an 8% dividend, payable annually in cash or stock, at the discretion of the Company's board of directors. As such, none is accredited in these financial statements.

The offering was conducted pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, pursuant to Regulation D, Section 4(2) and Rule 506 thereunder. No placement agent or underwriter was used in connection with the Offering and there is no commission, finder's fee or other compensation due or owing to any party.

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Item 2. Management's Discussion and Analysis or Plan of Operation

Overview

The Company generates revenues from a single business segment: the design, development, marketing and sale of proprietary solid state electrical components designed to reduce energy consumption in alternating current induction motors.

The Company began generating revenues from sales of its patented MEC line of motor controllers in late 1995. As of March 31, 2008, the Company had total stockholders' equity of \$6,571,484 primarily due to (i) the Company's sale of 140,000 shares of Series B Convertible Preferred Stock in a private offering from October of 2007 through January of 2008, (ii) the Company's sale of 12,950,016 shares of common stock in a private stock offering from November of 2006 through March of 2007, (iii) the Company's sale of 14,500,000 shares of common stock in a private stock offering in July and August of 2005, (iv) the Company's sale of 2,346,233 shares of Series A-1 Convertible Preferred stock to Summit Energy Ventures, LLC in June of 2002 and (v) the conversion of notes payable of approximately \$1,047,000 into 982,504 shares of Series A-1 Convertible Preferred Stock in October of 2003.

Results of Operations for the Three Months Ended March 31, 2008 and 2007.

Revenues

Total revenues for the three months ended March 31, 2008 were approximately \$134,000 compared to \$37,000 for the three months ended March 31, 2007, an increase of \$97,000 or 262%. This increase is mainly attributable to an increase in sales in the elevator and escalator market segment. Specifically, sales in the first quarter of 2008 included approximately \$59,000 to major transit facilities and approximately \$10,000 to retail facilities. No such sales occurred during the first quarter of 2007.

Cost of Sales

Total cost of sales, which includes material and direct labor and overhead for the three months ended March 31, 2008 were approximately \$98,000 compared to approximately \$35,000 for the three months ended March 31, 2007, an increase of \$63,000 or 180%. This increase in cost of sales is due to a higher volume of sales during the first quarter of 2008. As a percentage of sales, total cost of sales decreased to approximately 73% for the three months ended March 31, 2008 compared to approximately 95% for the three months ended March 31, 2007. The decrease in the costs as a percentage of sales was primarily due to the Company bringing the majority of its manufacturing in-house, which resulted in lower per unit production costs.

Gross Profit

Gross profit for the three months ended March 31, 2008 was approximately \$36,000 compared to approximately \$2,000 for the three months ended March 31, 2007, an increase of \$34,000 or 1,700%. This increase was primarily due to a higher volume of sales during the first three months of 2008 and lower per unit production costs due to the Company bringing the majority of its manufacturing in-house.

Operating Expenses

Research and Development Expenses

Research and development expenses were approximately \$161,000 for the three months ended March 31, 2008, as compared to approximately \$95,000 for the three months ended March 31, 2007, a \$66,000 or a 69% increase. This increase is mainly attributable to the Company's continued research and development efforts on its digital controller for both its single-phase and three-phase products, including additional personnel in the Company's research and development department, which resulted in higher salaries and related payroll costs, and the opening of a research and development center.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were approximately \$790,000 for the three months ended March 31, 2008, as compared to \$675,000 for the three months ended March 31, 2007, an increase of \$115,000 or 17%. The increase in selling, general and administrative expenses compared to the prior year was primarily due to an increase in payroll, payroll related costs, and other cost related to SFAS 123R. These increases in expenses were due to the growth of the Company's sales force.

Financial Condition, Liquidity, and Capital Resources

Since inception, the Company has financed its operations primarily through the sale of its equity securities, debt securities and using available bank lines of credit. As of March 31, 2008, the Company had cash of \$4,510,548.

Cash used for operating activities for the three months ended March 31, 2008 was \$807,405, which consisted of a net loss of \$888,156; less depreciation and amortization of \$14,847, amortization of capitalized manufacturing costs of \$1,377, warrants and options issued to employees and consultants of \$207,000 and a decrease in deposits of \$41,430, offset by increases in accounts receivable of \$19,780, inventory of \$1,679, prepaid expenses and other current assets of \$73,858, and decreases in accounts payable and accrued expenses of \$86,981 and customer deposits of \$1,605.

Cash used for operating activities for the three months ended March 31, 2007 was \$755,971, which consisted of: a net loss of \$921,743; less depreciation and amortization of \$8,975, debt discount related to the issuance of debt securities of \$79,555, warrants and options issued to employees and consultants of \$179,030, amortization of deferred financing costs of \$3,368, and a decrease in inventory of \$2,798; offset by increases in accounts receivable of \$3,047, and prepaid expenses and other current assets of \$36,032, and a decrease in accounts payable and accrued expenses of \$68,875.

Net cash used for investing activities for the three months ended March 31, 2008 was \$48,425, compared to \$36,780 for the three months ended March 31, 2007. The amount for the first quarter of 2008 consisted of the purchase of fixed assets of \$35,764, and capitalized costs related to patent applications of \$12,661.

The total amount for the first quarter of 2007 consisted of the purchase of fixed assets.

Net cash provided by financing activities for the three months ended March 31, 2008 was \$280,000, which solely consisted of proceeds from the issuance equity securities. Net cash provided by financing activities for the three months ended March 31, 2007 was \$1,016,668, which consisted of the proceeds from the issuance of equity securities of \$1,025,000, offset by repayments of notes payable of \$8,332.

The Company 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 Company anticipates that operating expenses will constitute a material use of any cash resources.

Although we currently have over 12 months of working capital, management may need to sell additional equity or debt securities in order to continue to finance the Company's operations. The Company believes it can raise additional funds through private placements of equity or debt. However, there are no assurances that sufficient capital can be raised.

Cash Requirements and Need for Additional Funds

The Company anticipates a substantial need for cash to fund its working capital requirements. In accordance with the Company's prepared expansion plan, it is the opinion of management that approximately \$3.0 - \$3.6 million will be required to cover operating expenses, including, but not limited to, the development of the Company's next generation products, marketing, sales and operations during the next twelve months.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The information in this Item is not being disclosed by Smaller Reporting Companies pursuant to Regulation S-K.

Item 4T. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in the Company's Exchange Act reports is (1) recorded, processed,

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summarized and reported in a timely manner, and (2) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. Accordingly, no corrective actions were required or undertaken.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults 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 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by the Chief Executive Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POWER EFFICIENCY CORPORATION
(Company)

By:

Date: May 15, 2008

/s/ Steven Strasser

Chief Executive Officer

Date: May 15, 2008

By:

/s/ John Lackland
Chief Financial Officer
(Principal Financial and Accounting Officer)