



# POWER EFFICIENCY

C O R P O R A T I O N

***Advanced Energy Saving Technology for Electric Motors***

Stock Symbol: PEFF

Except for the historical information herein, the matters discussed in this presentation include forward-looking statements, as defined in the private securities litigation reform act of 1995. Readers are cautioned not to place undue reliance on these forward-looking statements, as they are subject to various risks and uncertainties that may cause actual results to vary significantly. These risks and uncertainties include, but are not limited to, risks relating to: product and technology development; the uncertainty of the market for Power Efficiency Corporation's products; market acceptance of new products and continuing product demand; the ability to manage growth and ramp-up production effectively as needed; the impact of competitive products and pricing on Power Efficiency Corporation's products and markets; changing economic conditions; delay, cancellation or non-renewal of purchase orders; significant future capital requirements; and other risk factors detailed in Power Efficiency Corporation's most recent annual report on Form 10-K for the fiscal year ended December 31, 2007, and other filings with the Securities and Exchange Commission. The Company assumes no obligation to update the information in this presentation.

# A Green Energy company focused on efficiency technologies for electric motors



- **Electric motors power our lives**
- **Improving motor efficiency is an “untapped” energy resource**
- **Power Efficiency estimates its E-Save Technology™ platform has the potential to:**
  - **Save \$1.7 billion in annual electricity costs for the U.S. manufacturing sector**
  - **Reduce CO2 emissions by 14 million tons per year, equal to 2.65 million cars off the road**

- **Rapid Sales Growth – 2007 2.5X higher than 2006**
- **E-Save Technology™ a potential paradigm shift in motor efficiency**
- **Utility tested and approved**
- **Extremely low effective cost of power**
- **New digital Motor Efficiency Controller commercially released and being evaluated by OEMs**
- **New single phase technology for appliance motors**
- **Large management & director investment**
- **Global contract manufacturer signed**

POWER  
SOURCE

MOTOR EFFICIENCY  
CONTROLLER



## What does E-Save Technology™ do?

- When AC motors are lightly-loaded, they become very inefficient
- **E-Save Technology™** reads the load and reduces the amount of power to the motor
- When the load increases, the amount of electricity is instantly increased
- The motor always stays running at a constant speed (full RPM)

**The Motor Efficiency Controller is installed between the Power Source and the Electric Motor.**

# The Technology

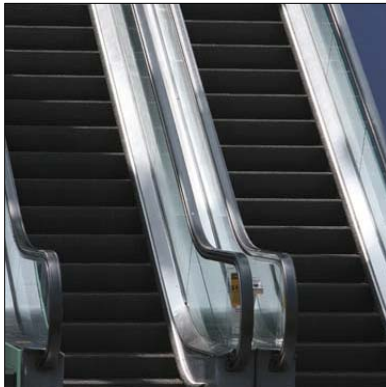
## EXAMPLE APPLICATION: ESCALATOR



- Escalator motors are oversized – designed to handle 500 pounds on each step
- There are rarely two 250 pound people on each step
- When the escalator is not fully loaded, a Motor Efficiency Controller with E-Save Technology™ saves energy
- The escalator always operates at the same speed – riders don't notice any difference

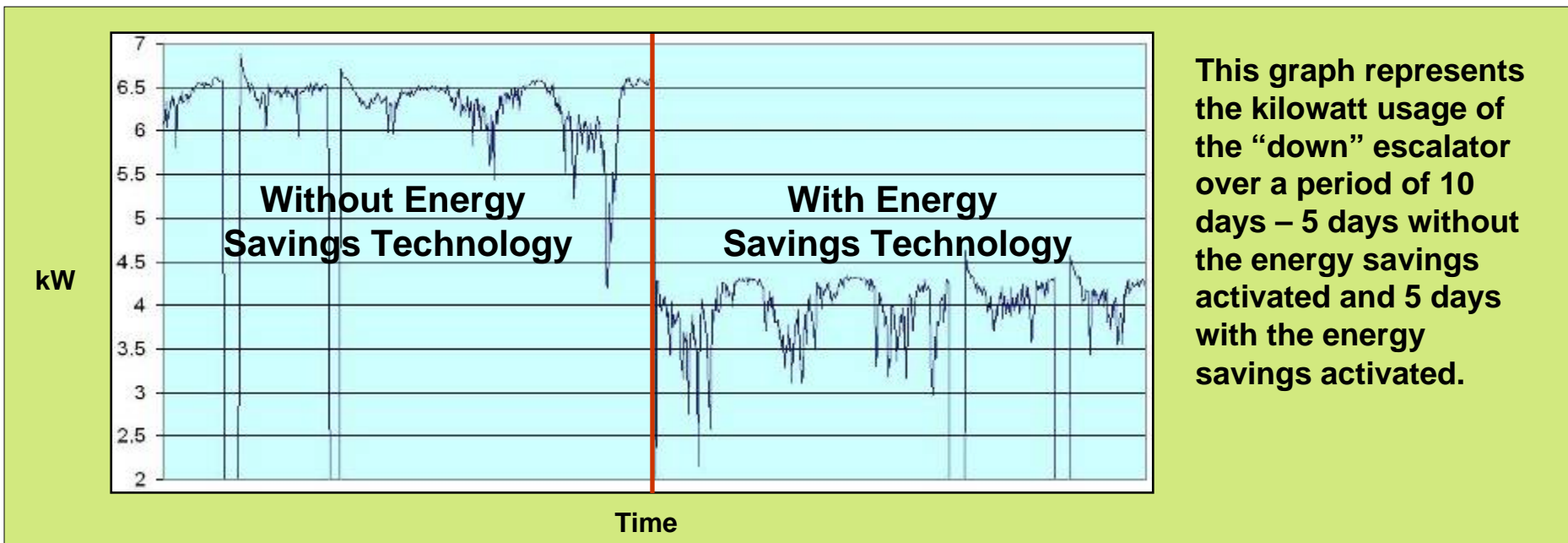
# Energy Savings

## EXAMPLE RESULTS: 40HP MOTOR ON ESCALATOR



Location	Caesars Palace - Las Vegas, NV
Application	Escalator
Motor Size	40HP
Average % Savings	36%
Annual kWh Savings	32,281 kWh
Annual CO2 Reduction	30 tons
Internal Rate of Return	60%





Energy Savings in this test were verified by a professional measurement and verification consultant working for Nevada Power Company.



This graph represents the kilowatt usage of the “down” escalator over a period of 10 days – 5 days without the energy savings activated and 5 days with the energy savings activated.

# Energy Savings

## EXAMPLE TEST RESULTS

Application	Escalator	Stamping Press	Jaw Crusher
			
Location	Caesars Palace	Check-Mate Industries	Aggregate Plant
Motor Size	40HP	10HP	300HP
Energy Savings	36%	23%	24%
Annual CO2 Reduction	30 tons	6 tons	40 tons
IRR %	60%	235%	69%

- **Payback typically 3 years or less**
- **Utility rebates make paybacks even faster**

Note: IRR calculations include equipment costs but not installation expenses.

*Advanced Energy Saving Technology for Electric Motors*

# Energy Savings

EXTREMELY ATTRACTIVE COST PER KWH

Application	Escalator	Jaw Crusher
		
Operating Cycle	24 hrs / day 7 days / week	18 hrs / day 6 days / week
Motor Size	15HP	300HP
Energy Savings	30%	24%
Assumed Life of the Product	10 years	10 years
Fully Installed Cost	\$1,800	\$8,000
Resulting Product Cost per kWh	2.5 cents	2.0 cents

- Utility rebates further reduce the effective cost/kWh
- Motor Efficiency Controllers replace standard motor soft starts. The cost/kWh using the *marginal cost* of the MEC is much lower.

# Energy Savings

## QUALIFIES FOR UTILITY REBATES



- Incentive financing typically 20-50% of the purchase price
- Southern California Edison committed funds in 2007 & first half 2008 to purchase units and supply their customers for escalators
- Excel Energy tested units and provided a rebate for project at Denver International Airport
- San Diego Gas & Electric aggregation contract provides incentive payments to Power Efficiency for installation of Motor Efficiency Controllers
- LADWP tested units and provided a rebate for Los Angeles Metro project
- Nevada Power and Sierra Pacific Prescriptive Rebate of \$20 per horsepower on escalators, working toward industrial application approval
- Working on additional utilities testing and programs

### Numerous Potential Applications – Large Potential Impact

- Any lightly loaded AC induction motor operating at constant speed is a potential candidate
- 44% of motors in U.S. manufacturing are operating at 40% or less of full load. (Source: Dept. of Energy)

**E-Save Technology™ could have the following estimated annual impact on the U.S. manufacturing sector:**

Electricity Cost Savings	kWh Reduction	CO2 Reduction	CO2 Reduction, in # of Cars taken off the road
\$1.7 billion	21 billion kWh	14 million tons	2.65 million

Note: The above analysis is based on data from the Department of Energy, Department of Transportation and other sources, combined with internal Power Efficiency estimates.

### Two New Products Based on E-Save Technology™

**Digital Motor Efficiency Controller**  
(Three Phase)

**Digital Appliance Product**  
(Single Phase)

**Industrial Facilities**

**Commercial Buildings**

**Target Applications**

Conveyors, Grinders,  
Crushers, Granulators,  
Mixers, Shredders, Saws,  
many more

Escalators, MG-Set  
Elevators

Clothes Washers & Dryers,  
Refrigerators, Residential Air  
Conditioning



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### ■ **Strategy to Become Upstream Technology Provider**

- Limited direct sales efforts to end users necessary to drive demand
- Utility testing & rebates verify technology, drive end user demand and OEM acceptance
- Goal is to work into existing upstream channels as quickly as possible after creating market awareness and demand
- Not planning to grow large direct sales force

### ■ **Numerous OEMs Currently Evaluating Technology**

- Manufacturers of escalators, granulators, and more considering adopting technology
  - Developing specialty prototype for one Elevator/Escalator OEM
- Approaching additional OEMs continually
- Unit sales, private label arrangements, and licensing all possible
- Goal is to secure volume commitments or licensing from OEMs

### Denver International Airport



Denver International Airport is in the process of retrofitting all escalators and moving walkways with the EcoStart, a product Power Efficiency manufactures for KONE Inc.

Xcel Energy tested the technology for the measurement and verification of energy savings on Denver International Airport escalators. The results estimated a 30-40% savings of electrical use on its escalators and moving walkways, representing a reduction of over 2.0 million kilowatt-hours (kWh) per year.



### Westfield Malls



Westfield Malls worked with multiple service providers and Power Efficiency to install Motor Efficiency Controllers with E-Save Technology™ on escalators at Horton Plaza in San Diego, North County Mall in Escondido, Plaza Bonita in National City and Plaza Camino Real in Carlsbad.

### Las Vegas Convention Center



The Las Vegas Convention and Visitor's Authority worked with KONE Inc. and Power Efficiency to install Motor Efficiency Controllers with E-Save Technology™ on escalators at the convention center.

### ■ Giant Market Potential

- Tens of millions of motors sold annually for residential refrigerators, clothes washers and dryers, etc.

### ■ Rapid Sales Growth Potential

- Many manufacturers could order 1 million or more units per year, meaning millions in revenue for Power Efficiency

### ■ Large Demand and Government Pressure

- EnergyStar® appliance standards strict and popular with consumers

### ■ Marketing Strategy: OEMs

- Primarily sold for installation on OEM basis
- Currently working with one major appliance manufacturer



- **Outsourced Manufacturing for High Volume and Scalability, In-House for Light Volume**
  - Agreement with global contract manufacturer with over \$10 billion in sales and global fulfillment capabilities
  - Lower volume units produced in light manufacturing center in Las Vegas
  
- **Relatively Simple Manufacturing Process**
  - Similar to existing motor control products
  - Most electronics manufacturers have adequate capabilities
  - Power Efficiency not required to invest in expensive manufacturing equipment or factories

## MANAGEMENT

**Decades of experience in energy, motor control product and technology development, sales and marketing of controls, and finance and law.**

### **Steven Strasser – Chairman & CEO**

- 20 years in the electric power business
- Former founder and CEO of his own successful power development company
- 5 years in venture capital investing in energy technology at Summit Energy Ventures LLC
- 13 years in legal practice specializing in financial transactions
- Law degrees from University of Washington and McGill University

### **BJ Lackland – CFO and Director**

- 5 years venture capital investing in energy technology at Summit Energy Ventures LLC
- Lead finance and strategic alliance positions in technology companies
- MBA and MA International Studies from University of Washington, BA in Politics, Philosophy and Economics from Claremont McKenna College

### **Brian Taylor – VP of Product Management**

- Former Business Manager, Standard Drives at Rockwell Automation, responsible for the \$360M global standard drives business
- 19 years at Rockwell in various management positions
- Bachelors degree in Computer Engineering from Case Western Reserve University and MBA from Northeastern University

## INDEPENDENT DIRECTORS AND ADVISORS

### Majority Independent Board of Directors with Exceptionally Strong Backgrounds and Large Investment in Company

#### **George Boyadjieff – Director & Senior Technical Advisor**

- Former CEO and Chief Engineer for Varco International (now National Oilwell Varco: NYSE Company - NOV), which he helped grow from \$3 million to over \$1 billion in sales
- Holds 50 patents for development of technologies into commercial products
- BS and MS in Mechanical Engineering from UC Berkeley

#### **Douglas Dunn – Director**

- Former Dean of the Carnegie Mellon Graduate Business School (Tepper School of Business)
- Former Executive with AT&T
- PhD in Business from the University of Michigan

#### **Dick Morgan – Director**

- Former Dean UNLV Law School, Arizona State University Law School, and University of Wyoming Law School
- Former corporate/securities lawyer

#### **Gary Rado – Director**

- Former President of Casio USA
- Former Senior Vice President of Texas Instruments

#### **Raymond Skiptunis – Director**

- Principal, SR Capital Partners
- Former CEO and Vice Chairman of TeamStaff, a professional staffing co. w/ \$600+ million in sales
- Experience in venture capital and former Registered Public Accountant in New Jersey

## ■ Financing Completed January 2008

- \$7.0 million raised, including \$5 million net and \$2 million debt repayment
- Unit offering including convertible preferred stock and warrants
  - Each unit cost \$50 and consisted of one share of preferred stock (converts into 100 common shares) and 50 warrants with exercise price of \$0.60
  - Effective common stock purchase of \$0.50/share
  - 8% dividend
  - Preferred converts to common when common stock trades at \$1.00 or more for 10 days

## ■ Large Insider Investment

- CEO invested \$880,000
- Three directors invested a total of \$350,000

Income Statement	FY 2006	FY 2007
Revenue	\$ 188,811	\$ 490,510
COGS	136,240	340,468
Gross Margin	52,571	150,042
SG&A	3,126,775	2,728,190
R&D	567,591	667,786
Depreciat. & Amortiz.	34,028	47,036
Total Interest	1,344,952	598,825
Net Loss	\$(5,020,775)	\$(3,891,795)

**Notable Items**

1. 2007 revenue increased 2.5X over 2006
2. Present gross burn rate of approx. \$275,000/month
3. SFAS & Non-Cash Interest Expense totaled \$1.075 mil in 2007.

Balance Sheet	12/31/07
Current Assets	\$ 5,435,055
Property and Equipment	112,106
Other Assets	2,091,972
Total Assets	7,639,133
Current Liabilities	654,430
Long-Term Liabilities	12,063
Net Equity (Deficit)	6,972,640
Total Liab and Deficit	\$ 7,639,133

**Notable Items as of 12-31-07**

1. Cash was over \$5 million
2. No outstanding debt securities

Equity	12/31/07
Common Stock Outstanding	40.3 million
Preferred Stock Outstanding ("as if converted")	13.4 million
Warrants Issued	29.2 million
Options Granted	14.3 million
Total Fully Diluted	97 million

**Notable Items**

1. Management and director ownership total: 24%
2. CEO & CFO: 21%

## Power Efficiency Corporation

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