

POWER EFFICIENCY CORPORATION



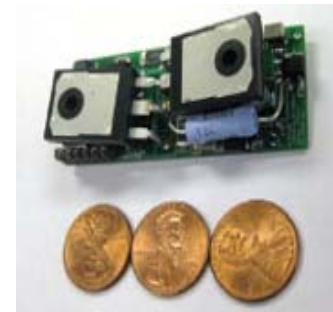
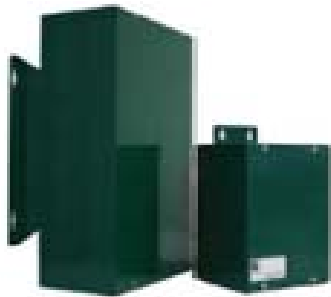
Advanced Energy Saving Technologies for Electric Motors

FORWARD LOOKING STATEMENTS

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 and other filings with the Securities and Exchange Commission. The Company assumes no obligation to update the information in this presentation.

COMPANY OVERVIEW

- Power Efficiency is a clean tech company focused on developing energy efficient solutions for electric motors
- The Company's technology platform, called E-Save Technology[®], can reduce energy usage in electric motors by up to 35%
- The Company designs, manufactures, and sells unique motor controllers, called motor efficiency controllers (MEC), that utilize E-Save Technology to improve efficiency of variable load motors running at constant speeds



INVESTMENT HIGHLIGHTS

- Large insider ownership (25% of common shares) and investment (over \$4 million)
- Global market potential for products: \$9 billion in annual sales
- Policymakers embracing energy efficiency as solution to energy security and green house gas emissions - PEFF is one of the few “pure play” energy efficiency stocks
- Strong OEM and end user demand for “green” and energy cost-cutting solutions
- Recently completed multi-year product development cycle
- Recent agreements for North American markets with two leading global OEMs in vertical transportation (elevator/escalator) market
- Technology has been extensively tested by utilities, OEMs, and independent testing agencies
- Poised for accelerated revenue growth in 2010 - OEM agreements begun and independent rep network expansion underway
- Substantial customer IRR (typically >30%), quick customer payback (< 3 years)
- Products installed in numerous high-profile locations

WHY IS MOTOR EFFICIENCY IMPORTANT?

Motor efficiency is a central component to energy efficiency

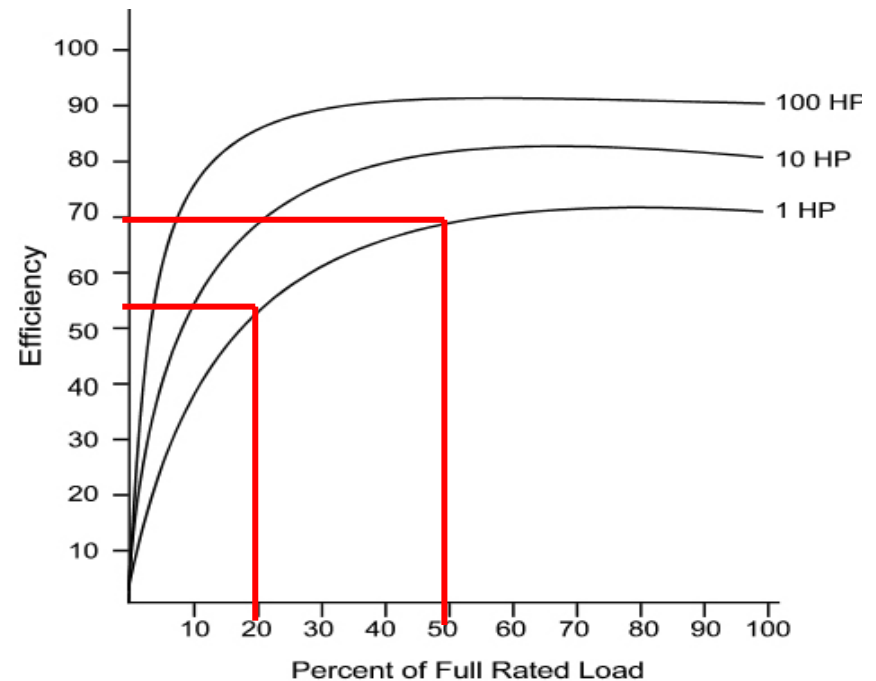
- According to the U.S. Department of Energy, electric motors are by far the largest end users of electricity in the American economy
- Electric Motors account for 64 percent of the electricity used by the U.S. industrial sector

PEFF estimates E-Save Technology® can save the U.S. manufacturing sector alone \$1.7 billion in annual electricity costs



E-SAVE TECHNOLOGY®

- Lightly-loaded motors become very inefficient
- E-Save Technology senses the light load and reduces the amount of power to the motor
- When the load increases, E-Save instantly increases the amount of electricity
- The motor always stays running at a constant speed (full RPM)
- E-Save is like “cruise control for an electric motor”



Lightly loaded motors without E-Save Technology become very inefficient

PRODUCT: 3 PHASE MOTOR EFFICIENCY CONTROLLER

- **Integrated Motor Control with Energy Savings**
 - Typical pricing \$450-9,000 per unit
 - Works on all major world voltages (200v-600v) up to 380 amps (300 HP)
- **Energy Savings Up To 35% in Appropriate Applications**
 - Any constant speed induction motor with a variable load is a potential candidate for savings with E-Save Technology

- **Target Applications**

Escalators
Elevators (MG Set)
Conveyors
Mixers
Grinders
Crushers
Granulators
Saws

Metal scrappers
Shredders
Slicers
Stamping Presses
Balers
Lathes



**POWER
SOURCE**



**MOTOR
EFFICIENCY
CONTROLLER**



MOTOR



PRODUCT: 1 PHASE MOTOR EFFICIENCY CONTROLLER

■ **Integrated Soft Start with Energy Savings**

- Typical pricing \$10-20 per unit
- Works on single phase motors from fractional HP to 2 HP
- Single phase motors less efficient, very high volume

■ **Significant Energy Savings in Appropriate Applications**

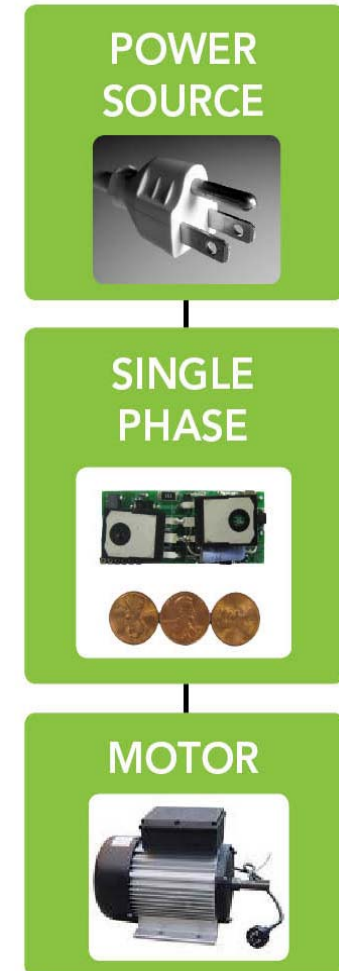
- Sample Results - Test of GE Hotpoint Clothes Washer

Load Size	Large	Medium	Light
Energy Savings	9%	11%	27%

■ **Target Applications**

Clothes washers
Clothes dryers
Residential air conditioning
Refrigeration

Shop tools
Replacement for / Use With
Motor Run Capacitor (makes
dynamic efficient motor)



SALES STRATEGY

■ 3-Phase MEC

- Sell directly to vertical transportation OEMs (escalator/elevator)
 - Recent agreements with KONE Inc. and ThyssenKrupp
 - Established buying relationships with Otis and Schindler
 - KONE, ThyssenKrupp, Otis and Schindler represent approximately 90% of the vertical transport market
- Create independent rep & distributor network to sell to industrial OEM and large end users
 - Products UL certified in July 2009
 - Currently partnering with reps skilled with motor control products



■ 1-Phase MEC

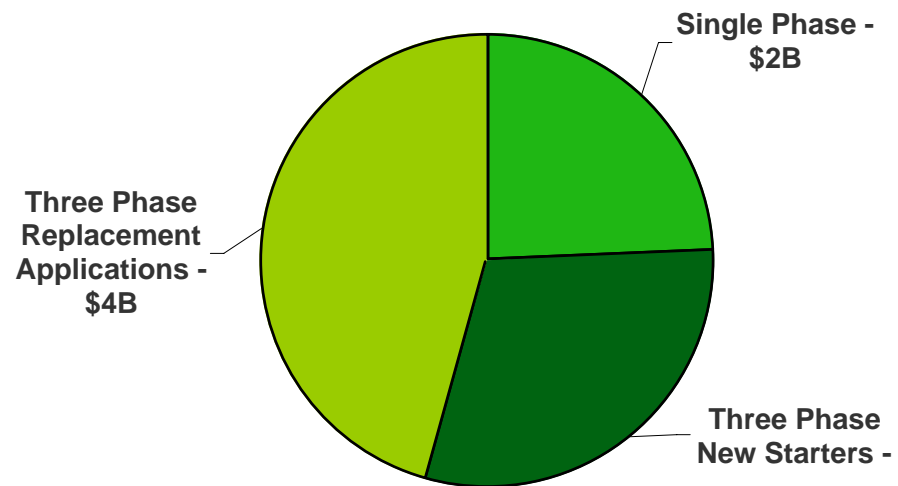
- Initial focus on OEMs, direct and through partners
 - Partnership with IXYS (supplier and rep with over 2,000 customers)
- License to motor and home appliance manufacturers



MARKET

Estimated annual global market for motor efficiency controllers:
\$9 Billion

- 3 Phase New Motors ~\$3 billion
- 3 Phase Replacement ~ \$4 billion
- 1 Phase New Motors ~ \$2 billion



Note: Above analysis is an estimate by Power Efficiency Corporation utilizing information from the U.S. Dept. of Commerce, the International Monetary Fund and a report by Supplier Relations LLC, November 2008, titled: *Relay and Industrial Controls Manufacturing*





MARKET DRIVERS

- Rising electricity prices
- Policymakers embracing energy efficiency as low hanging fruit solution to energy security and green house gas emissions
 - *American Recovery and Reinvestment Act of 2009* will direct \$60 billion towards energy efficiency and renewable energy initiatives
 - California recently announced it will direct \$3.1 billion towards energy efficiency initiatives
 - Increased regulatory push for new and existing buildings to become more energy efficient
- Strong OEM and end user demand for “green” and energy cost-cutting solutions
- Utilities receiving federal and state incentives for efficiency investments
- Stricter EnergyStar® rating qualifications for appliances

COMPETITION

- PEFF Intellectual Property - 1 approved patent, 3 patents pending
- No major competitors with solution comparable to PEFF's Motor Efficiency Controllers with E-Save Technology®

Competition from other motor-related technologies:

Feature	MEC with E-Save	Premium Efficiency Motor	Variable Speed Drive	Soft Start
				
Saves Energy	✓	✓	✓	✗
Qualifies for Utility Rebates	✓	✓	✓	✗
Constant Speed	✓	✓	✗	✓
Motor Control & Protection	✓	✗	✓	✓
Affordable Solution	✓	✓	✗	✓
Energy Savings Monitoring Potential	✓	✗	✓	✗
CO2 Monitoring & Reporting Potential	✓	✗	✓	✗

UTILITY REBATES

Numerous utilities have qualified MECs for rebates, typically equal to 20-50% of the purchase price.



Rebate Examples

- NV Energy Prescriptive Rebate of \$20 per horsepower on escalators
- Anaheim Utilities tested the MEC and approved a rebate for a plastic granulator project, covering approximately 1/3 of the project cost

CUSTOMER RETURN ON INVESTMENT

Typical IRR more than 30%, payback less than 3 years

Market	Vertical Transportation	Plastics	Mining & Bulk Materials
Application	Escalator	Granulator	Jaw Crusher
			
Location	Caesars Palace	Berry Plastics	Aggregate Plant
Motor Size	15HP	25HP	300HP
Energy Savings	30%	44%	24%
Utility Rebate	NV Energy	Anaheim Utilities	N/A
Annual CO2 Reduction	8 tons	5 tons	40 tons
IRR%	37%	62%	69%

CUSTOMER BASE

Numerous end users and OEMs have purchased and installed MECs.



RECENT PROJECTS

Washington Dulles International Airport



KONE Inc. installed the EcoStart® Motor Efficiency Controller on escalators at Dulles Airport. The EcoStart® incorporates Power Efficiency's E-Save Technology® and is manufactured by PEFF exclusively for KONE. Dulles Airport has 143 gates and serves approximately 24 million passengers annually.

McCarran International Airport



KONE Inc. installed the EcoStart® Motor Efficiency Controller on escalators at McCarran Airport, the principal airport in the Las Vegas metro area. McCarran is the nation's seventh-busiest airport, serving more than 44 million passengers annually.

Senate Majority Leader Harry Reid (D-NV):

"This project at the (McCarran) Airport is a good example of private and public entities working together to improve energy efficiency."

RECENT INSTALLATION

Berry Plastics Corporation - Anaheim, CA



A 25HP Motor Efficiency Controller was installed on a granulator at Berry Plastics Corporation for reducing energy consumption, electricity costs and carbon footprint. Cost per kWh is \$0.094.

Total Estimated Energy Savings per year: 42%

Total Estimated kWh Savings per year: 195,536 kWh

Total Estimated \$ Savings per year: \$18,380

Project Payback: 1.92 years

15 year Internal Rate of Return: 69%

CO2 Reduction: 152 tons

Anaheim Public Utilities conducted measurement and verification testing and provided a rebate of \$13,700

2010 GROWTH STRATEGY + STRATEGIC GOALS

- Vertical Transportation Market
 - Sign 2 global OEM agreements
 - Sign additional North American OEM agreement (2 completed. Goal is to have 3 of 4 majors signed for North America)
- Industrial Market
 - Establish consistent order flow through rep network and distributors
 - Sign 2 industrial OEM agreements (granulators, conveyors, other applications)
- Generate initial sales of 1-Phase Motor Efficiency Controller to OEMs
- Technology & Intellectual Property
 - Receive approval of initial patents pending and continue to push others through approval process (domestic and international)
 - Continually improve technology performance and IP protection
- Position PEFF for NASDAQ Listing

MATURE OPERATING MODEL

Income Statement	3Q09	MATURE
COGS	63%	50%
Gross Margin	37%	50%
SG&A	1,012%	21%
R&D	419%	9%
Interest and Other Income	306%	0%
Net Pretax Income (Loss)	(1,088%)	20%

The "mature" figures above include no licensing revenue, since this overstates core product and operating margins. However, E-Save Technology has very significant licensing potential, especially for single phase applications like appliances. Licensing revenue could appreciably increase the gross and net margins

MANGEMENT

Decades of experience in energy, motor control product and technology development, sales and marketing of controls for industrial and vertical transportation markets

- **Steven Strasser - Chairman and CEO**
 - 20 years in the electric power business
 - Founder and former CEO of 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
- **Scott Johnson - EVP & COO**
 - Mr. Johnson has been a senior manager at a Fortune 500 company and has lead multiple automation and motor control companies from early stage commercialization to tens of millions in revenue, with a focus on sales and marketing activities
 - Previous positions: President of Trakit GPS & BMG Controls, CEO of Automation Solutions, CEO of Industrial Devices Corporation, Group Vice President of Parker Hannifin, General Manager of Compumotor, Vice President of Sales/Marketing of Warner Electric
- **BJ Lackland - CFO and Director**
 - 5 years venture capital investing in energy technology at Summit Energy Ventures LLC. Leading finance and strategic alliance positions in small and startup technology companies. MBA and MA in International Studies from University of Washington.
- **Alan Taylor - VP of Business Development, Elevators & Escalators**
 - Former Vice President at ThyssenKrupp, one of the big 4 elevator OEMs. Over 30 years of experience in elevator / escalator industry. MSc in Lift Engineering.
- **Jack Barrett - Director of Business Development, Industrial**
 - Over 30 years experience in sales and marketing of automation products, including 10 Years at Danaher Motion (including being VP of North American Sales for the Portescap division and Director of OEM Sales for the Kollmorgen division) and 18 years Parker Hannifin (including being Business Unit Manager, Servomotors)

DIRECTORS & ADVISORS

Majority independent board of directors with strong background and large investment in the company

- **George Boyadjieff - Director and 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
- **Greg Curhan - Director & Advisor**
 - Co-Founder of Merriman Curhan Ford, a boutique investment banking firm, where he was also President, Chairman of the Commitment Committee and Head of the Cleantech investment banking team
 - Former CFO of WorldRes.com; former director of Global Technology Research Marketing and Managing Director of Merrill Lynch
- **Kenneth Dickey - Director & Advisor**
 - Motor and motor controls industry veteran. Held senior positions in numerous companies: SVP of Sales and Operating GM of the Industrial Motor Division for Reliance Electric/Rockwell Automation; President/CEO of Cleveland Motion Control, Dynact Inc., and Motion Science, Inc.; Vice President Sales-Marketing for Safetronics
- **Douglas Dunn - Director**
 - Former Dean of the Carnegie Mellon Graduate Business School (Tepper School of Business)
 - Former Executive with AT&T
- **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

KEY STATISTICS

Ticker Symbol	OTCBB: PEFF
Share Price (as of 02/19/10)	\$0.28
Stock Price 52-Week Range	\$0.08 - \$0.45
Market Capitalization	\$12.12 million
Average Volume (3 Months)	26,437
Common Shares Outstanding	43.27 million
Preferred Shares Outstanding (as converted to common)	18.37 million
Float	33 million
% Held by Insiders	25%
Total Debt	\$0
Burn Rate (per month)	\$200,000-300,000

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