

July 18, 2005

## **Power Efficiency Corporation Announces New Equity Financing**

LAS VEGAS, NV - July 18, 2005 - Power Efficiency Corporation (OTC BB:PEFF.OB), manufacturer of energy-saving devices, using a patented technology for alternating current induction motors, announced today that it has closed on \$2.43-million in equity financing. Joseph Stevens & Company, Inc. of New York acted as the sole placement agent for the offering.

Under the terms of the offering, 12,150,000 shares of common stock and 6,075,000 warrants were issued to investors. Summit Energy Ventures, LLC, a venture capital fund owned by Power Efficiency's CEO and CFO, invested \$600,000 in the offering, or approximately 25% of the total funds raised.

Steven Strasser, Power Efficiency's CEO, stated, "We are extremely excited about the opportunity this new financing offers our company. Our company has a proven track record of manufacturing energy proficient products that perform with little or no maintenance; products ideally suited for today's environment. This infusion of new capital will allow us to aggressively pursue the new sales opportunities before us as well as put us on the path to realizing our strategy for continued corporate growth. We are particularly pleased to have worked with Joseph Stevens on this offering."

Joseph Sorbara, CEO of Joseph Stevens, said, "We believe Power Efficiency has turned itself around with its new management, and has potential to become a recognized Brand in this field. We are pleased and excited to be involved with the company through this financing."

Power Efficiency Corporation designs and manufactures energy saving motor controllers, which include a soft start for constant speed-variable load AC induction motors. The savings from these controllers are typically 15-35%, but can be as high as 45%. The controllers also provide significant motor life extension and downtime reduction benefits, and are UL compliant and CE and CSA certified.

Power Efficiency Corporation provides proprietary energy management technology solutions. The Company's core technology, which is based on patented improvements to NASA technology, is effective on motors that run at constant speeds and under variable loads. These motors are found in escalators, elevators, grinders, granulators, mixers, saw mills, oil well pumps and many other applications. The Company also has a prototype unit applicable to single phase electronic motors such as clothes dryers, refrigerators, vending machines, mixers and coffee grinders.

The Company's mission is to deliver innovative and high quality energy saving products to its customers. Power Efficiency is committed to helping businesses control energy costs and achieve their energy-savings goals. Power Efficiency products are approved by the European and Canadian Standards Association, and independent United States Government laboratories. Over several thousand Power Efficiency Motor Controllers have been sold and successfully installed in various applications in North America.

*The statements contained in this release, which are not historical facts, may be deemed to contain forward-looking statements, including, but not limited to, deployment of new services, growth of customer base and sales, and growth of service area, among other items and other statements identified by words such as "may", "could", "would", "should", "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions.. Actual results may differ materially from those anticipated in any forward-looking*

*statement with regard to magnitude, timing or other factors. Deviation may result from risk and uncertainties, including, without limitation, the Company's dependence on third parties, market conditions for the sale of services, availability of capital, operational risk and uncertainties and those detailed in the Company's filings with the Securities and Exchange Commission. The Company disclaims any obligation to update information contained in any forward-looking statement.*

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