

April 24, 2006

Power Efficiency Corporation Announces \$1 Million Financing

CEO Participates Through Investment of \$500,000

LAS VEGAS--Power Efficiency Corporation (OTCBB: PEFF), a developer and manufacturer of advanced energy savings technologies for electric motors, today announced that it has entered into a \$1 million convertible debt financing, with half of the funding coming from the Company's Chairman and CEO, Steven Strasser, and the balance coming from accredited investors.

"I chose to invest additional funds in the Company at this time because I believe the opportunities we have in front of us are outstanding," Strasser said. "The Company has made great strides in recent months, as demonstrated by The U.S. General Services Administration (GSA), a Federal Government agency that influences nearly \$66 Billion in Government spending, awarding it a five-year contract, and through recent customer tests demonstrating compelling energy savings."

Prior to the investment, Strasser was already the largest shareholder in the Company through an entity called Summit Energy Ventures LLC, which he controls.

The specific terms of the note have been disclosed in an 8-K filed today by the Company. The general terms include:

- Interest rate of 10.75% per annum
- The Company can draw on the note, in increments of up to \$200,000, and interest is calculated only on the outstanding principal drawn.
- Should the Company complete an equity financing before the maturity date of the Note, the Note may be converted into equity on the same terms and conditions as those provided to the equity investors.
- 2.1 million warrants were issued to the Note holders with an exercise price of \$0.24 per share. The Company will use its best efforts to register the shares underlying the warrants when it next files a registration statement or amendment to its existing registration statement.
- The Note is secured by a first security interest in the Company's accounts receivable and inventory, and a second security interest in all other Company assets.
- A maturity date of January 19, 2007.

About Power Efficiency Corporation

Power Efficiency Corporation designs and manufactures controllers that reduce the amount of energy used by alternating current induction motors. PEC power controllers allocate power in direct proportion to the required workload, eliminating wasted energy. 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 and many other applications. The savings from these controllers are typically 15-35%, but can be as high as 45%. The controllers also reduce the operating heat of the motor, enabling significant motor life extension and downtime reduction benefits. PEC products are UL compliant and CE and CSA certified. The Company

also has a prototype unit applicable to single phase electronic motors that are found in applications such as clothes dryers, refrigerators, vending machines, mixers and coffee grinders.

For more information visit www.powerefficiencycorp.com.