

ELECTRIC CITY CORP
Form DEF 14A
July 02, 2002

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Electric City Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:
July 2, 2002

1280 Landmeier Road
Elk Grove Village, Illinois 60007

July 2, 2002

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2001 Annual Meeting of Stockholders to be held at 10:00 a.m., local time, on Wednesday, July 31, 2002 at the Comfort Inn, 2550 Landmeier Road, Elk Grove Village, Illinois 60007. The formal notice of the Annual Meeting appears on the following page.

The attached Notice of Annual Meeting and Proxy Statement contain detailed information about the matters that we expect to act upon at the Annual Meeting.

Please sign, date and specify your choices on the enclosed proxy card and promptly return it in the enclosed business reply envelope. This will help insure that your shares are represented at the Annual Meeting, whether or not you plan to attend the Annual Meeting.

We look forward to seeing you at the Annual Meeting and urge you to return your proxy card as soon as possible.

Sincerely,

Electric City Corp.

John P. Mitola
Chief Executive Officer

ELECTRIC CITY CORP.

1280 Landmeier Road
Elk Grove Village, Illinois 60007

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held July 31, 2002

To the Stockholders of
ELECTRIC CITY CORP.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Electric City Corp. will be held at the Comfort Inn, 2550 Landmeier Road, Elk Grove Village, Illinois 60007 at 10:00 a.m. local time, on Wednesday, July 31, 2002, for the following purposes:

1. To elect 6 directors to our Board of Directors;
2. To ratify the appointment by our Board of Directors of BDO Seidman, LLP as the independent auditors of our financial statements for the year ending December 31, 2002;
3. To approve an amendment to our Certificate of Incorporation to increase our authorized shares of capital stock from 90,000,000 to 125,000,000 and our authorized shares of Common Stock from 85,000,000 to 120,000,000;
4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. The Board of Directors has fixed the close of business on June 14, 2002 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

The Board of Directors encourages you to complete, sign and date the enclosed proxy card and promptly return it in the enclosed postage prepaid envelope, regardless of whether you plan to attend the Annual Meeting.

By Order of the Board of Directors,

Greg M. Rice
Secretary

Elk Grove Village, Illinois
July 2, 2002

ELECTRIC CITY CORP.

1280 Landmeier Road
Elk Grove Village, Illinois 60007

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS**

To be held Wednesday, July 31, 2002

This proxy statement and the enclosed proxy card are being furnished to our stockholders in connection with the solicitation of proxies by the Board of Directors of Electric City Corp., a Delaware corporation ("Electric City" or the "Company"), for use at our Annual Meeting of Stockholders to be held at the Comfort Inn, 2550 Landmeier Road, Elk Grove Village, Illinois 60007 at 10:00 a.m. local time, on Wednesday, July 31, 2002, and any adjournments thereof. This proxy statement and the accompanying form of proxy are first being mailed to stockholders on or about July 8, 2002.

Solicitation

The cost of this proxy solicitation will be borne by Electric City. We may request banks, brokers, fiduciaries, custodians, nominees and certain other record holders to send proxies, proxy statements and other materials to their principals at our expense. Those banks, brokers, fiduciaries, custodians, nominees and other record holders will be reimbursed by us for their reasonable out-of-pocket expenses of solicitation. We do not anticipate that costs and expenses incurred in connection with this proxy solicitation will exceed an amount normally expended for a proxy solicitation for an election of directors in the absence of a contest. In addition to soliciting proxies by mail, Electric City and its directors, officers and regular employees may also solicit proxies personally, by telephone or by other appropriate means. No additional compensation will be paid to directors, officers or other regular employees for such services.

Record Date and Outstanding Shares

Our Board of Directors fixed the close of business on June 14, 2002 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. As of the close of business on the record date, we had 31,196,378 shares of Common Stock and 2,216,168 shares of Preferred Stock with voting rights as to certain matters outstanding. Each outstanding share of Common Stock on such date will be entitled to one vote on each matter to be voted on at the Annual Meeting, and each outstanding share of Preferred Stock will be entitled to ten votes on each matter, other than the election of directors, to be voted at the Annual Meeting.

Required Vote

The affirmative vote of a plurality of the shares of Common Stock voted in person or by proxy at the Annual Meeting is required to elect the nominees to the Board of Directors. Stockholders will not be allowed to cumulate their votes in the election of directors. The affirmative vote of a majority of the total votes of the outstanding shares of Common Stock and the shares of Preferred Stock voted in person or by proxy at the Annual Meeting is required to ratify the appointment of BDO Seidman, LLP as the independent auditors of our financial statements for the year ending December 31, 2002. The affirmative vote of a majority of the total votes of the outstanding shares of our Common Stock and Preferred Stock is required to approve the proposal to amend our Certificate of Incorporation to increase our authorized shares of capital stock and our authorized shares of Common Stock.

Quorum; Abstentions And Broker Non-Votes

The required quorum for transaction of business at the Annual Meeting will be a majority of the total votes of the shares of Common Stock and Preferred Stock issued and outstanding as of the record date. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will be taken into account in determining whether or not a quorum is present. Abstentions and broker non-votes, which occur when a broker has not received customer instructions and indicates that it does not have the discretionary authority to vote on a particular matter on the proxy card, will be included in determining the presence of a quorum at the Annual Meeting. Neither abstentions nor broker non-votes will have any effect on the vote for the election of directors. Because the affirmative vote of the holders

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of a majority of the total votes of the outstanding shares of our Common Stock and Preferred Stock will be required to approve the proposal to amend our Certificate of Incorporation to increase our authorized shares of capital stock and our authorized shares of Common Stock, abstentions and broker non-votes will have the same effect as votes "against" that proposal.

We will consider abstentions present and entitled to vote with respect to the proposal to appoint our independent auditors, and, therefore, abstentions will have the same effect as votes "against" this proposal. We will not consider broker non-votes present and entitled to vote with respect to the proposal to appoint our independent auditors, and, therefore, broker non-votes will have no effect on the voting on this proposal.

Voting of Proxies; Revocability of Proxies

Our Board of Directors selected Jeffrey R. Mistarz and Greg M. Rice, the persons named as proxies on the proxy card accompanying this proxy statement, to serve as proxies. Mr. Mistarz is our chief financial officer and treasurer, and Mr. Rice is our general counsel and secretary. The shares of Common Stock represented by each executed and returned proxy will be voted in accordance with the directions indicated thereon, or if no direction is indicated, the proxy will be voted in accordance with the recommendations of the Board of Directors contained in this proxy statement. Members of the Company's management intend to vote their shares in favor of each of the proposals.

You can revoke a proxy you have given at any time before the shares it represents are voted by giving our secretary either (1) an instrument revoking the proxy or (2) a duly executed proxy bearing a later date. Additionally, you may change or revoke a previously executed proxy by voting in person at the Annual Meeting. However, your attendance at the Annual Meeting will not, by itself, revoke your proxy.

Annual Report to Stockholders

We are simultaneously furnishing to you with this proxy statement our Annual Report to Stockholders for the fiscal year ended December 31, 2001, which contains financial and other information pertaining to us.

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PROPOSAL 1

ELECTION OF DIRECTORS

At the Annual Meeting, six nominees to the Board of Directors will be elected to hold office for a one year term ending at our 2003 Annual Meeting of stockholders or until their respective successors are duly elected and qualified. All nominees listed below are currently members of our Board of Directors and have consented to being named in this proxy statement and to serve as directors, if elected. If at the time of the Annual Meeting any nominee becomes unavailable or declines to serve as a director for any reason, the persons named in the proxy will vote for the substitute nominee(s) as the Board of Directors recommends, or vote to allow the vacancy created by the nominee who is unable or declines to serve to remain open until filled by the Board of Directors, as the Board of Directors recommends. The Board of Directors has no reason to believe that any nominee will be unable or decline to serve if elected to office.

The number of directors has been set at 12 by resolution of the Board. On September 7, 2001, we closed on an issuance of our Series A Convertible Preferred Stock ("Series A Preferred Stock") with five investors that included Newcourt Capital USA, Inc., Duke Capital Partners, LLC, Morgan Stanley Dean Witter Equity Funding, Inc., Originators Investment Plan, L.P. and EP Power Finance, L.L.C. (the "Investors"). With respect to this issuance, we entered into a Stockholders Agreement with the Investors that provided (among other things) the Investors the right to elect up to (i) four directors for so long as at least 800,000 shares of Series A Preferred Stock remained issued and outstanding, (ii) three directors for so long as at least 600,000 but less than 800,000 shares of Series A Preferred Stock remained issued and outstanding, (iii) two directors for so long as at least 400,000 but less than 600,000 shares of Series A Preferred Stock remained issued and outstanding and (iv) one director for so long as at least 200,000 but less than 400,000 shares of Series A Preferred Stock remained issued and outstanding.

On November 29, 2001, we closed on an additional issuance of Series A Preferred Stock with Leaf Mountain Company, LLC ("Leaf Mountain") and amended the Stockholders Agreement to include Leaf Mountain's participation in the Stockholders Agreement. Leaf Mountain does not have a right to designate a director for election, but its shares of Series A Preferred Stock are included in the calculation of outstanding shares of Series A Preferred Stock in determining the number of directors the Investors can elect.

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On June 4, 2002, we closed on an issuance of Series C Convertible Preferred Stock with Mr. Richard Kiphart, an individual, and amended the Stockholders Agreement to include Mr. Kiphart's participation in the Stockholders Agreement. Mr. Kiphart does not have a right to designate a director for election, but his shares of Series C Preferred Stock are included with the Series A Preferred Stock in determining the number of directors the Investors can elect.

On June 14, 2002, the Investors and Leaf Mountain held 2,016,168 shares of Series A Preferred Stock and Mr. Kiphart held 200,000 shares of Series C Preferred Stock. Accordingly, the Investors are entitled to elect up to four directors (out of 12) to our board. Except for the election of directors nominated by our board of directors for election, the Investors, Leaf Mountain and Mr. Kiphart are entitled to vote with the holders of our common stock on an as-converted basis on all matters which our holders of common stock are entitled to vote.

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The following table presents the names of the nominees for the office of director, as well as certain information about them. As of the date of this filing, the board of directors has not nominated any individuals for the two vacant director positions.

NOMINEES FOR DIRECTOR

| Name | Age | Position Held with the Company | Served as Director Since |
|--------------------|-----|---|--------------------------|
| John P. Mitola | 38 | Chief Executive Officer and Director | 1999 |
| Michael S. Stelter | 45 | Vice President, Sales and Director | 1998 |
| Robert J. Manning | 59 | Chairman of the Board of Directors and Director(1)(2) | 2000 |
| David R. Asplund | 44 | Director | 2002 |
| Kevin P. McEneely | 54 | Director(1) | 1998 |
| Gerald A. Pientka | 46 | Director(1)(2) | 2000 |

(1) Member of our audit committee.

(2) Member of our compensation committee.

The following table presents the names of the directors appointed and elected by the holders of our Series A Preferred Stock (except Leaf Mountain), as well as certain information about them. This information, as well as the informational disclosures regarding each, is presented for information purposes only. These holders are entitled to appoint and elect an additional director (for a total of 4 directors) which position is vacant as of June 14, 2002.

DIRECTORS APPOINTED AND ELECTED BY THE HOLDERS OF OUR SERIES A CONVERTIBLE PREFERRED STOCK

| Name | Age | Position Held with the Company | Served as Director Since |
|-------------------|-----|--------------------------------|--------------------------|
| Frederic F. Brace | 44 | Director | 2001 |
| W. Scott Harlan | 40 | Director | 2002 |
| Robert D. Wagner | 60 | Director(2) | 2001 |

(1) Member of our audit committee.

John P. Mitola has been one of our directors since November 1999 and has been our chief executive officer since January 2000. From August 1993 until joining us, Mr. Mitola was with Unicom Thermal Technologies (now Exelon Thermal Technologies, Unicom (now Exelon) Corporation's largest (at that time) unregulated subsidiary, serving most recently as vice president and general manager. Mr. Mitola led the

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growth of Unicom Thermal through the development of Unicom Thermal's Northwind ice technology and through thermal energy joint ventures between Unicom Thermal and several leading electric utility companies across North America. Prior to his appointment at Unicom Thermal, Mr. Mitola was director of business development for Commonwealth Edison Company, the local electric utility serving Chicago, Illinois and the northern Illinois region.

Michael S. Stelter is one of our co-founders and has been one of our directors since our incorporation in June 1998. Since our organization as a limited liability company in December 1997, Mr. Stelter has served as our Vice President of Switchgear Sales. Mr. Stelter was our Corporate Secretary from June 1998 until October 2000. From 1986 until May 1999, Mr. Stelter served as Vice President of Marino Electric.

David R. Asplund was nominated to our board of directors during June 2002. Mr. Asplund is, and has been, the founder and President of Delano Group Securities, LLC since October 1999. From

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March 1995 through October 1999, Mr. Asplund was employed by Bear, Stearns and Company, Inc., serving as a Senior Managing Director from July 1997 until October 1999.

Frederic F. Brace has been one of our directors since October 2001 and is an appointee of the holders of our Series A Convertible Preferred Stock. Mr. Brace is, and has been, the Senior Vice President and Chief Financial Officer of UAL Corporation, the parent of United Airlines since September 2001. From July 1999 through September 2001, Mr. Brace was Senior Vice President and Treasurer of United Airlines and its Vice President of Finance from October 1996 through July 1999.

W. Scott Harlan was appointed a director during June 2002 by the holders of our Series A Convertible Preferred Stock. Mr. Harlan is currently Vice President of EP Power Finance, L.L.C. and Managing Director of El Paso Merchant Energy Company North America, a merchant energy subsidiary of El Paso Corporation. Mr. Harlan has been with EP Power Finance and El Paso Merchant Energy since November 2000. Mr. Harlan previously served as a vice-president of Cinergy Capital Services from July 1997 to October 1999, and served in several electricity marketing positions with Koch Energy Services from September 1995 to July 1997. Prior to joining Koch, Mr. Harlan served for ten years in a number of positions in the power generation, marketing and demand-side management for Delmarva Power and Light Company.

Robert J. Manning has been one of our directors since May 2000 and Chairman of our Board of Directors since January 2001. Mr. Manning is a co-founder and a member of Groupe Manning LLC, an energy consulting company. From April 1997 until his retirement in January 2000, Mr. Manning served as executive vice president of Exelon Corporation and its largest subsidiary, Commonwealth Edison Company, where his responsibilities included managing the sale of Commonwealth Edison's fossil generating fleet. During his thirty-five year career at Exelon, Mr. Manning directed all aspects of electric generation, consumer service and transmission and distribution operations.

Kevin P. McEneely has been one of our directors since our incorporation in June 1998. Mr. McEneely was our Senior Executive Vice President and Chief Operating Officer from our organization as a limited liability company in December 1997 to December 1999. From 1985 to his retirement in December 1999, Mr. McEneely was Chief Operating Officer and an Executive Vice President of Nightingale-Conant Corporation. Mr. McEneely is also a member of NCVC.

Gerald A. Pientka has been one of our directors since May 2000. Mr. Pientka is a co-founder of Higgins Development Partners, LLC, a national real estate development company headquartered in Chicago, Illinois. Mr. Pientka has served as President of the company since its inception in May 1999 when the Pritzker family interest purchased a controlling interest in Higgins Development Partners, LLC (formerly Walsh, Higgins & Company). Mr. Pientka served as President of Walsh, Higgins & Company from May 1992 until May 1999. Mr. Pientka is also a member of Leaf Mountain Company, LLC, who is an investor in our Series A Convertible Preferred Stock.

Robert D. Wagner has been one of our directors since October 2001 and is an appointee of the holders of our Series A Convertible Preferred Stock. Mr. Wagner served as Managing Director the corporate finance group of Arthur Andersen LLP from May 1999 until his retirement in April 2001. From June 1998 through May 1999, Mr. Wagner served as Managing Director of M2 Capital. From April 1989 through June 1998, Mr. Wagner served as Managing Director for Bankers Trust/BT Alex Brown.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF ALL OF THE NOMINEES FOR THE OFFICE OF DIRECTOR.

Meetings and Committees of the Board of Directors

The Board of Directors has an Audit Committee and Compensation Committee. The Audit Committee, which is composed of Robert Manning, Kevin McEneely and Gerald Pientka, met three

times during 2001. The Company believes that Messrs. Manning, McEneely and Pientka are independent as defined by Section 121(A) of The American Stock Exchange listing standards. The Board of Directors adopted an Audit Committee Charter effective April 19, 2000, which was amended effective January 31, 2001 to combine the Conflicts Committee with the Audit Committee. The Audit Committee's responsibilities are to: (1) review and recommend to the Board of Directors the independent auditors to be selected to audit the financial statements of the Company and to review the auditor's fees to determine whether they are appropriate for the services rendered; (2) meet with the independent auditors and management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be performed and, at the conclusion of the audit, review the results of the audit, including any comments or recommendations of the auditors; (3) confirm the independence of the auditors; (4) review with the auditors, together with the Company's financial and accounting personnel, the adequacy and effectiveness of the Company's internal controls and recommendations for improving internal controls; (5) review legal and regulatory matters that may have a material effect on the financial statements; (6) inquire of the qualitative judgments of the auditors regarding the appropriateness and acceptability of accounting principles used and the clarity of financial disclosures made; (7) review with the auditors, together with management of the Company, the financial statements contained in the annual report to shareholders; (8) discuss with the Company's management and general counsel any legal matters that may have a material impact on the Company's financial statements, and any material reports or inquiries from regulatory or governmental agencies; (9) review any management consulting services provided by the auditors; and (10) review transactions involving the Company and its officers, directors, affiliates and significant shareholders.

The Compensation Committee, which is composed of Robert Manning, Gerald Pientka and Robert Wagner, was formed on January 31, 2001 upon the Board of Directors' adoption of a Compensation Committee Charter. The Compensation Committee held five meetings during 2001. The Compensation Committee's responsibilities are to: (1) review and recommend to the Board of Directors the annual salary, bonus, stock options and other benefits of the senior executives; (2) review executive compensation programs and the administration thereof; (3) plan for executive development and succession; (4) review expense accounts and fringe benefits of executive management; (5) administer the Company's stock option and stock incentive programs; and (6) review and recommend to the Board of Directors, the nomination of members to the Board of Directors and (7) review and recommend to the Board of Directors, the compensation of members of the Board of Directors.

During the fiscal year ended December 31, 2001, the Board of Directors held nine formal meetings. In addition, there were three meetings of the Audit Committee and five meetings of the Compensation Committee. During 2001, all members of the Board of Directors attended at least 75% of the total of all board meetings and applicable committee meetings.

AUDIT COMMITTEE REPORT

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and their reporting process, including the systems of internal controls. In fulfilling their oversight responsibilities, the Committee has reviewed and discussed the Company's audited consolidated financial statements in the Annual Report with management, including a discussion of the quality (not just the acceptability) of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

Management is responsible for the Company's internal controls and the financial reporting process. BDO Seidman, LLP, the Company's independent auditor, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee reviewed and discussed the audited financial statements with both management and BDO Seidman, LLP. Specifically, the Audit Committee has discussed with BDO Seidman, LLP matters required to be discussed by Statements on Auditing Standards (SAS) 61 (Codification of Statements on Auditing Standards, AU Section 380).

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The Audit Committee received from BDO Seidman, LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with BDO Seidman, LLP the issue of its independence from the Company.

BDO Seidman, LLP billed the Company for services performed for fiscal year 2001 as follows:

| | | |
|---|----|--------|
| Audit Fees | \$ | 83,650 |
| Financial Information Systems Design and Implementation | \$ | -0- |
| All Other Fees | \$ | 84,658 |

Based on the Audit Committee's review of the audited financial statements and its discussions with management and BDO Seidman, LLP noted above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001. The Committee and the Board recommended, subject to shareholder ratification, the selection of BDO Seidman, LLP, as the Company's independent auditor.

MEMBERS OF THE AUDIT
COMMITTEE
Robert J. Manning
Kevin P. McEneely
Gerald A. Pientka

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EXECUTIVE OFFICERS

The table below identifies our executive officers who are not identified in the table under "Nominees."

Executive Officers

| Name | Age | Position |
|--------------------|-----|---------------------------------------|
| Jeffrey R. Mistarz | 44 | Chief Financial Officer and Treasurer |

Jeffrey R. Mistarz has been our chief financial officer since January 2000 and our treasurer since October 2000. From January 1994 until joining us, Mr. Mistarz served as chief financial officer for Nucon Corporation, a privately held manufacturer of material handling products and systems, responsible for all areas of finance and accounting, managing capital and shareholder relations. Prior to joining Nucon, Mr. Mistarz was with First Chicago Corporation (now Bank One Corporation) for 12 years where he held several positions in corporate lending, investment banking and credit strategy.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Securities Exchange Act of 1934 requires our directors and officers (as defined in Section 16) and persons who beneficially own greater than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. The required reports consist of initial statements on Form 3, statements of changes on Form 4 and annual statements on Form 5. Based solely on our review of the reports we have received and on written representations from our officers who are reporting persons, we believe that during 2001 all Section 16 filing requirements applicable to our directors, officers and 10% beneficial owners were complied with by these persons, except that John Mitola, our Chief Executive Officer, failed to report on a timely basis four Form 4 transactions involving purchases of our common stock made during 2001 on behalf of trusts established for his children. In addition, Mr. Mitola failed to report those same transactions on a timely basis on Form 5 during 2002.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes the total compensation paid or awarded to each of our named executive officers whose total compensation exceeded \$100,000 during the fiscal year ended December 31, 2001 and for each of our fiscal years ended December 31, 2000 and 1999. No bonuses were earned during the fiscal year ended December 31, 2001.

| Name and Principal Position | Period | Annual Compensation | | | Long Term Compensation |
|--|----------|---------------------|------------|--------------------------------|-----------------------------------|
| | | Salary (\$) | Bonus (\$) | Other Annual Compensation (\$) | Securities Underlying Options (#) |
| John P. Mitola(1) <i>our chief executive officer and director</i> | 12/31/01 | \$ 350,000 | | \$ 14,370(6) | |
| | 12/31/00 | \$ 350,000 | \$ 140,000 | \$ 9,190(6) | 1,000,000 |
| | 12/31/99 | | | | |
| Brian J. Kawamura(1)(2) <i>our former president, chief operating officer and director.</i> | 12/31/01 | \$ 350,000 | | \$ 10,050(7) | |
| | 12/31/00 | \$ 350,000 | \$ 140,000 | \$ 6,600(8) | 1,500,000 |
| | 12/31/99 | | | | |
| Michael R. Pokora(1)(3) <i>our former executive vice president of business operations and sales</i> | 12/31/01 | \$ 250,000 | | \$ 12,274(9) | |
| | 12/31/00 | \$ 250,000 | 100,000 | \$ 8,695(9) | 500,000 |
| | 12/31/99 | | | | |
| Jeffrey R. Mistarz(4) <i>our chief financial officer and treasurer</i> | 12/31/01 | \$ 175,000 | | \$ 7,657(10) | |
| | 12/31/00 | \$ 175,000 | \$ 70,000 | \$ 2,320(10) | 200,000 |
| | 12/31/99 | | | | |
| William A. Karambelas(5) <i>our senior vice president of western region operations</i> | 12/31/01 | \$ 167,197 | | \$ 110(11) | 150,000 |
| | 12/31/00 | | | | |
| | 12/31/99 | | | | |

- (1) Each of Messrs. Mitola, Kawamura and Pokora entered into employment agreements with us on November 18, 1999 for a term of three years that became effective on January 3, 2000 and ending on December 31, 2002. Effective as of January 1, 2000, options with an exercise price of \$7.00 per share that vest over the term of the agreement were granted to each of Messrs. Mitola, Kawamura and Pokora pursuant to their employment agreements.
- (2) Mr. Kawamura resigned his positions as President, Chief Operating Officer and a director of the Company, as well as his positions as a director of each of our subsidiaries, Switchboard Apparatus, Inc. and Great Lakes Controlled Energy Corp., effective April 26, 2002.
- (3) Mr. Pokora resigned his position as Executive Vice President-Business Operations and Sales of the Company effective January 31, 2002.
- (4) Mr. Mistarz entered into an employment agreement with us effective January 14, 2000 for a term of three years beginning as of January 1, 2000 and ending on December 31, 2002. As part of the employment agreement, Mr. Mistarz was granted options with an exercise price of \$7.00 per share that vest over the term of the agreement.
- (5) Mr. Karambelas' employment with the Company became effective on April 1, 2001. Mr. Karambelas is not an executive officer of the Company but is included for purposes of compensation disclosure.

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- (6) This represents a monthly auto allowance of \$550 and the cost of life insurance and long-term disability insurance for Mr. Mitola.
- (7) This represents a monthly auto allowance of \$550 for Mr. Kawamura and the cost of life insurance and long-term disability insurance for Mr. Kawamura.
- (8) This represents a monthly auto allowance of \$550 for Mr. Kawamura.
- (9) This represents a monthly auto allowance of \$550 and the cost of life insurance and long-term disability insurance for Mr. Pokora.
- (10) This represents the cost of life insurance and long-term disability insurance for Mr. Mistarz.
- (11) This represents the cost of long-term disability insurance for Mr. Karambelas.

Option/SAR Grants in 2001

The following table sets forth information regarding stock option grants made to our executive officers during the fiscal year ended December 31, 2001.

| Name | Period | Number of Shares Underlying Options Granted (#) | Percent of Total Options Granted to Employees in Period | Exercise of Base Price (\$/SH) | Expiration Date |
|-----------------------|----------|---|---|--------------------------------|-----------------|
| John P. Mitola | 12/31/01 | | | | |
| Brian J. Kawamura | 12/31/01 | | | | |
| Michael R. Pokora | 12/31/01 | | | | |
| Jeffrey R. Mistarz | 12/31/01 | | | | |
| William A. Karambelas | 12/31/00 | 150,000(1) | 9% | \$ 7.00 | 3/26/11 |

- (1) One fourth of this option became exercisable on March 26, 2002 and one fourth will become exercisable on each of March 26, 2003, 2004 and 2005.

Aggregated Option/SAR Exercises in 2001 and December 31, 2001 Option/SAR Values

The following table sets forth information regarding the number and value of unexercised options held by each of our named executive and principal officers as of December 31, 2001. None of our named executive or principal officers hold any stock appreciation rights and none of them exercised any options during the fiscal year ended December 31, 2001.

| Name | Shares Acquired on Exercise (#) | Value Realized | Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End # Exercisable/Unexercisable | Value of Unexercised In-The-Money Options/SARs at Fiscal Year-End (\$) Exercisable/Unexercisable |
|-----------------------|---------------------------------|----------------|---|--|
| John P. Mitola | | | 666,667/333,333 | \$ 0/\$0(1) |
| Brian J. Kawamura | | | 1,000,000/500,000 | \$ 0/\$0(1) |
| Michael R. Pokora | | | 333,333/166,667 | \$ 0/\$0(1) |
| Jeffrey R. Mistarz | | | 66,667/133,333 | \$ 0/\$0(1) |
| William A. Karambelas | | | 0/150,000 | \$ 0/\$0(1) |

(1)

These figures reflect that the exercise price per option of \$7.00 per share was greater than the closing market price of our Common Stock as reported on The American Stock Exchange on December 31, 2001, which was \$1.25 per share.

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Long-Term Incentive Plans Awards in 2001

| Name | Number of Shares, Units or Other Rights | Performance or Other Period Until Maturation or Payout | Estimated Future Payouts Under Non-Stock Price-Based Plans | | |
|-----------------------|---|---|---|------------------|-------------------|
| | | | Threshold (\$ or #) | Target (\$ or #) | Maximum (\$ or #) |
| John P. Mitola | | | | | |
| Brian J. Kawamura | | | | | |
| Michael R. Pokora | | | | | |
| Jeffrey R. Mistarz | | | | | |
| William A. Karambelas | | | | | |

As of December 31, 2001, the Company had not adopted, nor made any awards, under a long-term incentive plan.

Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plan as of December 31, 2001, including options granted to certain of our employees on a discretionary non-plan basis and under our 2001 Employee Stock Incentive Plan.

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) | (d) Total of Securities Reflected in Columns (a) and (c) |
|--|--|---|---|---|
| Equity Compensation Plans Approved by Shareholders(1) | -0- | \$ 0.00 | 1,300,000 | 1,300,000 |
| Equity Compensation Plans Not Approved by Shareholders(2) | 9,774,634 | \$ 4.12 | -0- | 9,774,634 |
| TOTALS | 9,774,634 | | 1,300,000 | 11,074,634 |

(1)

The 2001 Employee Stock Incentive Plan ("Plan") was approved by the Company's stockholders at the 2001 Annual Meeting of Stockholders. The Plan called for 800,000 shares of the Company's Common Stock to be reserved for issuance upon approval of the Plan by the Company stockholders and additional reserves of 500,000 shares of the Company's Common Stock on each January 1,

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beginning January 1, 2002. To date, there have been no grants of stock options made to employees under this Plan.

- (2) Prior to the adoption of the 2001 Employee Stock Incentive Plan, the Company had granted to certain of its employees stock options on a discretionary basis. These grants were not made pursuant to any formal plan. Grants made to employees pursuant to this method were discontinued during May 2001.
- (3) The Company grants stock options to its non-employee directors pursuant to a Directors Stock Option Plan (See "Compensation of Directors" following), which grants are included in this category.

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Stock Options and Incentive Compensation

During the Company's 2001 Annual Meeting of stockholders held on August 30, 2001, our stockholders approved the adoption of the 2001 Stock Incentive Plan (the "Plan"), which provides that up to 800,000 shares of the Company's common stock, par value \$0.0001 ("Common Stock") may be delivered under the Plan to certain employees of the Company or any of its subsidiaries. In addition, the Plan provides for an additional 500,000 shares of Common Stock to be reserved on January 1 of each succeeding year, beginning January 1, 2002. The awards to be granted under the Plan may be incentive stock options eligible for favored treatment under Section 422 of the Internal Revenue code of 1986, as amended from time to time, or non-qualified options that are not eligible for such treatment or stock of the Company, which may be subject to contingencies or restrictions. Approximately 38 employees, officers and directors of the Company are currently eligible to participate in the Plan.

As of June 14, 2002, there were 1,300,000 shares of Common Stock reserved under the Plan. There were no grants or issuances of the Company's common stock under the Plan during 2001.

Compensation of Directors

All non-employee directors, excluding founder-directors (the "Eligible Directors") receive grants of stock options pursuant to the Directors' Stock Option Plan. Upon appointment to the board of directors, each Eligible Director is granted options to purchase 75,000 shares of the Company's common stock at an exercise price that is equal to the closing price of the Company's common stock on the grant date. These options vest one-third on the grant date and one-third on January 1 of each of the two succeeding years. In addition, if an Eligible Director is serving as director on his or her annual anniversary date of appointment, such director is granted options to purchase 25,000 shares of the Company's common stock on that grant date. These options vest one-third on the grant date and one-third on each of the two succeeding anniversary dates.

Directors who are also employees of the Company receive no additional compensation for their services as directors. Directors who are not employees of the Company (excluding founder-directors) are eligible to be awarded stock options. All non-employee directors are reimbursed for travel expenses and other out-of-pocket costs incurred in connection with their attendance at board and committee meetings.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

John Mitola

Effective January 3, 2000, we entered into an employment agreement with John Mitola, our chief executive officer, for a three-year period ending on December 31, 2002. The agreement provides for a base salary of \$350,000 per year and a discretionary bonus of up to forty percent (40%) of his annual salary payable if we meet or exceed the terms of our annual business plan. The agreement also provides for a monthly automobile allowance of \$550 and the reimbursement of Mr. Mitola's business-related cellular phone calls.

Under the employment agreement, we granted to Mr. Mitola an option to purchase 1,000,000 shares of our common stock at \$7.00 per share which became exercisable with respect to 333,334 shares on December 31, 2000, 333,333 shares on December 31, 2001 and which will become exercisable with respect to 333,333 shares on December 31, 2002. Mr. Mitola has piggyback registration rights with respect to all shares of our stock obtained through the exercise of these options but has waived such rights in certain respects with respect to registrations undertaken on behalf of the holders of our Series A Convertible Preferred Stock and Series C Convertible Preferred Stock.

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The employment agreement imposes on Mr. Mitola non-competition, non-solicitation and confidentiality agreements.

Brian Kawamura

Effective January 3, 2000, we entered into an employment agreement with Brian Kawamura, our former president and chief operating officer, for a three-year period ending on December 31, 2002. The agreement provided for a base salary of \$350,000 per year and a discretionary bonus of up to forty percent (40%) of his annual salary payable if we met or exceeded the terms of our annual business plan. The agreement also provided for a monthly automobile allowance of \$550 and the reimbursement of Mr. Kawamura's business-related cellular phone calls.

Under the employment agreement, we granted to Mr. Kawamura an option to purchase 1,500,000 shares of our common stock at \$7.00 per share, which became exercisable with respect to 500,000 shares on December 31, 2000, 500,000 shares on December 31, 2001 and which would have become exercisable with respect to 500,000 shares on December 31, 2002. Mr. Kawamura has piggyback registration rights with respect to all shares of our stock obtained through the exercise of these options but has waived such rights in certain respects with respect to registrations undertaken on behalf of the holders of our Series A Convertible Preferred Stock and Series C Convertible Preferred Stock.

The employment agreement imposes on Mr. Kawamura non-competition, non-solicitation and confidentiality agreements.

Effective April 26, 2002, Mr. Kawamura resigned his positions as President, Chief Operating Officer and a director of the Company and as a director of each of our subsidiaries, Switchboard Apparatus, Inc. and Great Lakes Controlled Energy Corp. Concurrent with his resignation, the Company entered into a separation agreement with Mr. Kawamura which provides that he will receive a severance payment equal to approximately 62 percent of his remaining annual salary for the period beginning May 1, 2002 and continuing until December 31, 2002. The total amount to be paid will be \$145,472, which will be paid in equal semi-monthly installments of \$8,978.01. Mr. Kawamura has also agreed to forego reimbursement of \$62,139 of business related expenses. These severance payments are subject to certain reductions in the event Mr. Kawamura becomes employed or engaged as a consultant (other than engaged by the Company as a consultant) and earns compensation as a result, during the term of the severance payments. In addition, these severance payments will cease if Mr. Kawamura violates the non-competition, non-solicitation or confidentiality provisions of his employment agreement or ceases to perform under the consulting agreement. The 500,000 stock option shares that were to become exercisable on December 31, 2002 pursuant to his employment agreement were extinguished and terminated as of April 26, 2002.

In addition, effective April 26, 2002, the Company entered into a consulting agreement with Mr. Kawamura whereby Mr. Kawamura will provide sales representative and consulting services to the Company from time to time until December 31, 2002 (unless another termination date is agreed to by the parties). The consulting agreement provides for Mr. Kawamura to remain involved with certain sales opportunities that the Company is pursuing and to receive a commission fee of 5% of the sales proceeds, with half of the commission retained by the Company until it is reimbursed for severance payments paid under his separation agreement, after payment of which Mr. Kawamura will receive the entire commission fee for the successful closings of these sales opportunities.

Michael Pokora

Effective January 3, 2000, we entered into an employment agreement with Michael Pokora, our former executive vice president of operations and sales, for a three-year period beginning on January 3, 2000 and ending on December 31, 2002. The agreement provided for a base salary of \$250,000 per year and a discretionary bonus of up to forty percent (40%) of his annual salary payable if we met or

exceeded the terms of our annual business plan. The agreement also provided for a monthly automobile allowance of \$550 and the reimbursement of Mr. Pokora's business-related cellular phone calls.

Under the employment agreement, we granted to Mr. Pokora an option to purchase 500,000 shares of our common stock at \$7.00 per share which became exercisable with respect to 166,667 shares on December 31, 2000, 166,666 shares on December 31, 2001 and which will become exercisable with respect to 166,666 shares on December 31, 2002. Mr. Pokora has piggyback registration rights with respect to all shares of our stock obtained through the exercise of these options but has waived such rights in certain respects with respect to registrations undertaken on behalf of the holders of our Series A Convertible Preferred Stock and Series C Convertible Preferred Stock.

The employment agreement imposes on Mr. Pokora non-competition, non-solicitation and confidentiality agreements.

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Mr. Pokora resigned his position with the Company effective January 31, 2002. The 166,667 stock option shares that were to become exercisable on December 31, 2002 pursuant to his employment agreement were extinguished and terminated as of January 31, 2002.

Jeffrey Mistarz

On January 14, 2000, we entered into an employment agreement with Jeffrey Mistarz, our chief financial officer and treasurer, for a term of three years commencing on January 1, 2000 and ending on December 31, 2002. The agreement provides for a salary of \$175,000 per year and a discretionary bonus payable if Mr. Mistarz attains established performance goals to be agreed upon by Mr. Mistarz and our chief executive officer. The agreement also provides for the reimbursement of Mr. Mistarz's business expenses such as business-related cellular phone calls.

Under the employment agreement, we granted to Mr. Mistarz an option to purchase 200,000 shares of our common stock at \$7.00 per share which vest with respect to 66,667 shares on December 31, 2000 and 66,667 shares on December 31, 2001 and which will vest with respect to 66,666 shares on December 31, 2002. Of the vested options, 22,223 became exercisable on December 31, 2000, 44,444 became exercisable on December 31, 2001, and 44,444 becoming exercisable on December 31, 2002, etc. Mr. Mistarz has piggyback registration rights with respect to all shares of our stock obtained through the exercise of these options but has waived such rights in certain respects with respect to registrations undertaken on behalf of the holders of our Series A Convertible Preferred Stock and Series C Convertible Preferred Stock.

The employment agreement imposes on Mr. Mistarz non-competition, non-solicitation and confidentiality agreements.

Report on Repricing of Options/SARs

During the fiscal year ended December 31, 2001, the Company did not adjust or amend the exercise price of stock options or SARs previously awarded to any of our named executive or principal officers.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table contains information regarding the beneficial ownership of our Common Stock as of June 14, 2002, by (1) each person known by us to beneficially own more than 5% of the outstanding shares of any class of our voting securities, (2) each of our directors and executive officers, and (3) all directors and executive officers as a group. The table lists the applicable percentage of beneficial ownership based on 31,196,378 shares of Common Stock, 2,016,168 shares of Series A Convertible Preferred Stock and 200,000 shares of Series C Convertible Preferred Stock outstanding as of June 14, 2002. Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission, and, unless otherwise indicated, the persons named in the table have sole voting and investment power with respect to the shares beneficially owned by them. Except as otherwise noted, the address of each person listed in the following table is c/o Electric City Corp., 1280 Landmeier Road, Elk Grove Village, Illinois 60007-2410.

| Name | Common Stock Beneficially Owned | Percent of Common Stock Beneficially Owned |
|---|---------------------------------|--|
| Joseph C. Marino | 9,735,317(1) | 29.19% |
| Pino Manufacturing, LLC | 8,851,452(1) | 26.91% |
| NCVC, L.L.C. (2) | 5,162,499(3) | 16.03% |
| Victor L. Conant | 5,162,499(3) | 16.03% |
| Kevin P. McEneely | 5,162,499(3) | 16.03% |
| DYDX Consulting LLC (4) | 4,017,499(5) | 12.48% |
| Nikolas Konstant (4) | 4,017,499(5) | 12.48% |
| Augustine Fund, L.P. (6) | 1,501,009(7) | 4.78% |
| Newcourt Capital Securities, Inc. (8) | 3,314,830 | 9.61% |
| Newcourt Capital USA, Inc. (9) | 9,383,267 | 23.17% |
| Duke Capital Partners, LLC (9) | 6,103,927 | 16.40% |
| EP Power Finance, L.L.C. (9) | 6,153,927 | 16.51% |
| Morgan Stanley Dean Witter Equity Funding, Inc. (9) | 6,103,927 | 16.40% |
| Leaf Mountain Company, LLC (10) | 4,319,227 | 12.23% |
| Richard Kiphart (11) | 2,811,332 | 8.27% |
| John P. Mitola | 680,373(12) | * |
| Michael S. Stelter | 1,217,892(13) | 3.90% |
| Robert J. Manning | 93,667(14) | * |
| David Asplund | 97,412(15) | * |

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| Name | Common Stock Beneficially Owned | Percent of Common Stock Beneficially Owned |
|--|---------------------------------|--|
| Frederic F. Brace | 50,000(16) | * |
| W. Scott Harlan | (17) | * |
| Gerald A. Pientka | 113,667(18) | * |
| Robert D. Wagner | 50,000(19) | * |
| Jeffrey R. Mistarz | 70,867(20) | * |
| All directors and executive officers as a group (10 persons)** | 7,574,377 | 22.75% |

*

Denotes beneficial ownership of less than 1%

**

Eliminates duplication

The following tables contain information regarding the beneficial ownership of our Series A Convertible Preferred Stock and Series C Convertible Preferred Stock as of June 14, 2002, by (1) each person known by us to own more than 5% of the outstanding shares of our Series A Convertible Preferred Stock or Series C Convertible Preferred Stock, (2) each of our directors, and (3) all directors and executive officers as a group. The tables list the applicable percentage of beneficial ownership

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based on 2,491,168 shares of Series A Convertible Preferred Stock and 250,000 shares of Series C Convertible Preferred Stock outstanding as of June 14, 2002. Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission, and, unless otherwise indicated, the persons named in the table have sole voting and investment power with respect to the shares beneficially owned by them.

| Name | Series A Preferred Stock Beneficially Owned | Percent of Series A Preferred Stock Beneficially Owned |
|---|---|--|
| Newcourt Capital USA, Inc. | 523,822(21)(23) | 24.92% |
| Duke Capital Partners, LLC | 527,371(21)(23) | 24.75% |
| EP Power Finance, L.L.C. | 527,371(21)(23) | 24.92% |
| Morgan Stanley Dean Witter Equity Funding, Inc. | 527,371(21)(23) | 24.92% |
| Leaf Mountain Company LLC | 385,234(21)(23) | 18.42% |

| Name | Series C Preferred Stock Beneficially Owned | Percent of Series C Preferred Stock Beneficially Owned |
|-----------------|---|--|
| Richard Kiphart | 250,000(22)(23) | 100% |

(1)

Includes (a) options to purchase 450,000 shares issuable upon exercise of options held by Mr. Marino that are currently exercisable, (b) 433,865 shares held of record by Mr. Marino, (c) 7,151,452 shares held of record by Pino Manufacturing, LLC and (d) 1,700,000 shares issuable upon exercise of an option held by Pino Manufacturing, LLC that is currently exercisable. Mr. Marino holds a 100% membership interest in Pino and, in such capacity, has sole voting and investment power with respect to the shares of Common Stock held by Pino. Therefore, Mr. Marino is deemed to be the beneficial owner of these shares.

(2)

The business address of NCVC, L.L.C. ("NCVC") is 6245 West Howard St., Niles, Illinois 60714.

(3)

Consists of 4,162,499 shares held of record by NCVC and options to acquire 1,000,000 shares of our Common Stock at \$1.10 per share. Messrs. Conant and McEneely are managers and members of NCVC, and, in said capacities, share voting and investment power

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with respect to the shares of Common Stock held by NCVC. Accordingly, each is deemed to be a beneficial owner of these shares.

- (4) The business address of DYDX Consulting, LLC ("DYDX") is 221 N. LaSalle Street, Suite 3900, Chicago, Illinois 60601.
- (5) Includes 3,017,499 shares held of record by DYDX and options to acquire 1,000,000 shares of our Common Stock at \$1.10 per share. Mr. Konstant is the sole member of DYDX and, accordingly, is deemed to be the beneficial owner of these shares.
- (6) The business address of Augustine Fund, L.P. ("Augustine Fund") is 141 W. Jackson Blvd., Chicago, Illinois 60604.
- (7) On October 17, 2000, Augustine Fund, L.P. purchased 2,000 shares of the Company's Series B Convertible Preferred Stock ("Series B Preferred") and was issued warrants to purchase 200,000 shares of the Company's Common Stock at an exercise price of \$4.425 per share, for gross proceeds to the Company of \$2,000,000. The Series B Preferred was convertible into shares of the Company's Common Stock, which stock was converted on June 15, 2001 into 1,472,244 shares of the Company's Common Stock. An additional 56,764 shares of Common Stock were issued as accrued dividends on the Series B Preferred.

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- (8) Newcourt Capital Securities, Inc. ("Newcourt Capital Securities"), a registered broker-dealer, was issued warrants to purchase 3,314,830 shares of the Company's Common Stock at a price of \$1.00 per share in consideration for purchasing \$3,200,000 of Convertible Senior Subordinated Promissory Notes from the Company during the second quarter of 2001 and for acting as placement agent for the Company's issuance of its Series A Convertible Preferred Stock, which transaction closed on September 7, 2001 (see following note). Newcourt Capital Securities, Inc. is a wholly owned subsidiary of Newcourt Capital USA, Inc. Accordingly, Newcourt Capital USA is deemed to be the beneficial owner of shares held by Newcourt Capital Securities.
- (9) On September 7, 2001, we closed our Series A Convertible Preferred Stock transaction with a group of investors and issued the following securities for an aggregate purchase price of \$16,000,000:
- 400,000 shares of our Series A Convertible Preferred Stock ("Series A Preferred Stock") to each of Newcourt Capital USA, Inc. ("Newcourt"), Duke Capital Partners, LLC ("Duke Capital"), and EP Power Finance, L.L.C. ("EPP"), 380,000 shares of our Series A Convertible Preferred Stock to Morgan Stanley Dean Witter Equity Funding, Inc. ("Morgan Stanley") and 20,000 shares of our Series A Convertible Preferred Stock to Originators Investment Plan, L.P. ("OIP"). OIP is an affiliate of Morgan Stanley and therefore, Morgan Stanley is deemed to be the beneficial owner of shares held by OIP. Each share of Series A Preferred Stock is convertible into 10 shares of our common stock.
- Warrants to purchase 100,000 shares of our Series A Preferred Stock to each of Newcourt, Duke Capital and EPP, warrants to purchase 95,000 shares of our Series A Preferred Stock to Morgan Stanley and warrants to purchase 5,000 shares of our Series A Preferred Stock to OIP. These warrants are initially exercisable at \$10.00 per share and became exercisable on November 7, 2001. Each share of Series A Preferred Stock is convertible into 10 shares of our Common Stock.
- 80,217 shares of our Common Stock to each of Newcourt, Duke Capital and EPP, 76,206 shares of our Common Stock to Morgan Stanley and 4,011 shares of our common stock to OIP.
- Warrants to purchase 750,000 shares of our Common Stock to each of Newcourt, Duke Capital and EPP, warrants to purchase 712,500 shares of our Common Stock to Morgan Stanley and warrants to purchase 37,500 shares of our Common Stock to OIP. These warrants are initially exercisable at \$1.00 per share.
- The Company has declared and paid dividends on the aforementioned preferred stock in the form of additional shares of preferred stock. As of June 14, 2002, the additional shares of Series A Preferred Stock issued as dividends are as follows:

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23,822 shares issued to Newcourt;

27,371 shares issued to Duke Capital;

27,371 shares issued to EPP

27,371 shares issued to Morgan Stanley (which includes 1,369 shares issued to OIP);

Additional information regarding each of these investors is as follows:

The business address of Newcourt Capital USA, Inc. is 1211 Avenue of the Americas, 22nd Floor, New York, New York 10036.

The sole member of Duke Capital Partners, LLC is Duke Capital Corporation. The business address of Duke Capital Partners, LLC is 128 South Tryon Street, Suite 1100, Charlotte, North Carolina 28202.

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The sole member of EP Power Finance, L.L.C. is El Paso Merchant Energy North America Company. The business address of EP Power Finance, L.L.C. is 1001 Louisiana Street, Houston, Texas 77002.

The business address of Morgan Stanley Dean Witter Equity Funding, Inc. is 1585 Broadway, New York, New York 10036.

MSDW OIP Investors, Inc., is an affiliate of Morgan Stanley Dean Witter Equity Funding, Inc., and is also the sole general partner of OIP. The business address of Originators Investment Plan, L.P. is 1585 Broadway, New York, New York 10036.

(10) On November 29, 2001, we closed on an additional issuance of our Series A Convertible Preferred Stock with Leaf Mountain Company, LLC ("Leaf Mountain") and issued the following securities for an aggregate purchase price of \$3,000,000:

300,000 shares of our Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 10 shares of our Common Stock.

Warrants to purchase 75,000 shares of our Series A Preferred Stock. These warrants are initially exercisable at \$10.00 per share and each share of Series A Preferred Stock is convertible into 10 shares of our Common Stock.

45,122 shares of our common stock.

Warrants to purchase 421,875 shares of our Common Stock. These warrants are initially exercisable at \$1.00 per share.

The Company has declared and paid dividends on the aforementioned preferred stock in the form of additional shares of preferred stock. As of June 14, 2002, the additional shares of Series A Preferred Stock issued as dividends total 10,233 shares.

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Additional information regarding Leaf Mountain is as follows:

The business address of Leaf Mountain is 190 South LaSalle Street, Suite 1700, Chicago, Illinois, 60603.

Mr. Gerald Pientka, who is one of our directors, is also a member of Leaf Mountain. Of the \$3,000,000 invested by Leaf Mountain in the Company's Series A Convertible Preferred Stock, Mr. Pientka, through Leaf Mountain, contributed \$75,000. It is the policy of the Company that any officer or director who has a direct or indirect conflict in a contemplated or pending business matter must abstain from discussions or votes of our board of directors regarding such matter. Accordingly, Mr. Pientka did not participate in any such discussions or votes relating to the sale to Leaf Mountain. In addition, Mr. Pientka was not aware of any matters involving or affecting the Company that were not disclosed to Leaf Mountain by the Company during the due diligence review conducted prior to the closing of the transaction.

(11)

On May 22, 2002, our board of directors approved the designation of up to 337,500 shares of our preferred stock as "Series C Convertible Preferred Stock" and approved the issuance of such stock. On June 4, 2002, we closed on an issuance of our Series C Convertible Preferred Stock with Mr. Richard Kiphart, an individual, and issued the following securities for an aggregate purchase price of \$2,000,000:

200,000 shares of our Series C Convertible Preferred Stock. Each share of Series C Convertible Preferred Stock is convertible into 10 shares of our Common Stock.

Warrants to purchase 50,000 shares of our Series C Convertible Preferred Stock. These warrants are initially exercisable at \$10.00 per share and each share of Series A Preferred Stock is convertible into 10 shares of our Common Stock.

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30,082 shares of our Common Stock.

Warrants to purchase 281,250 shares of our Common Stock. These warrants are initially exercisable at \$1.00 per share.

Additional information regarding Mr. Kiphart is as follows:

The business address of Mr. Kiphart is c/o William Blair & Company, LLC, 222 W. Adams Street, Chicago, Illinois 60606.

(12)

Includes 333,334 shares issuable upon exercise of options that became exercisable on December 31, 2000 and 333,333 shares issuable upon exercise of options that became exercisable on December 31, 2001.

(13)

Reflects 1,217,892 shares held of record by Mr. Stelter.

(14)

Includes 91,667 shares issuable upon exercise of options granted pursuant to the Directors' Stock Option Plan and 2,000 shares held of record by Mr. Manning.

(15)

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Includes 25,000 shares issuable upon exercise of options granted pursuant to the Directors' Stock Option Plan on June 11, 2002, 25,000 shares issuable upon exercise of a warrant issued to Delano Group Securities, Inc. on October 17, 2000 and 47,412 shares held of record.

(16)

Includes 50,000 shares issuable upon exercise of options granted pursuant to the Directors' Stock Option Plan.

(17)

Options granted pursuant to the Directors' Stock Option Plan are included in the shares held by EP Power Finance, L.L.C. The policy of EP Power Finance, L.L.C. who is Mr. Harlan's employer, provide that director compensation be paid to the company rather than the individual.

(18)

Includes 91,667 shares issuable upon exercise of options granted pursuant to the Directors' Stock Option Plan and 20,000 shares held of record by Mr. Pientka.

(19)

Includes 50,000 shares issuable upon exercise of options granted pursuant to the Directors' Stock Option Plan.

(20)

Includes 22,223 shares issuable upon exercise of options that became exercisable on December 31, 2000 and 44,444 shares issuable upon exercise of options that became exercisable on December 31, 2001.

(21)

Holdings of Series A Convertible Preferred Stock ("Series A Preferred Stock") are comprised of the following:

Newcourt Capital USA, Inc. 400,000 shares of Series A Preferred Stock and warrants for 100,000 shares of Series A Preferred Stock issued on September 7, 2001 and 23,822 shares paid as dividends through March 31, 2002.

Duke Capital Partners, LLC 400,000 shares of Series A Preferred Stock and warrants for 100,000 shares of Series A Preferred Stock issued on September 7, 2001 and 27,371 shares paid as dividends through March 31, 2002.

EP Power Finance, L.L.C. 400,000 shares of Series A Preferred Stock and warrants for 100,000 shares of Series A Preferred Stock issued on September 7, 2001 and 27,371 shares paid as dividends through March 31, 2002.

Morgan Stanley Dean Witter Equity Funding, Inc. 400,000 shares of Series A Preferred Stock and warrants for 100,000 shares of Series A Preferred Stock issued on September 7, 2001 and 27,371 shares paid as dividends through March 31, 2002.

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Leaf Mountain Company 300,000 shares of Series A Preferred Stock and warrants for 75,000 shares of Series A Preferred Stock issued on November 29, 2001 and 10,233 shares paid as dividends through March 31, 2002.

(22)

Holdings of Series C Convertible Preferred Stock ("Series C Preferred Stock") are comprised of 200,000 shares of Series C Preferred Stock and warrants for 50,000 shares of Series C Preferred Stock issued on June 4, 2002.

(23)

Each share of Series A Preferred Stock and Series C Preferred Stock are convertible into 10 shares of our Common Stock, which shares are included in "Shares Beneficially Owned" for each respective holder in the table disclosing beneficial ownership of our Common Stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On May 24, 1999, we purchased from Mr. Marino most of the assets of Marino Electric for a purchase price of \$3,888,000, consisting of \$1,792,000 in cash and 1,600,000 shares of our common stock. The purchase price of \$3,880,000 exceeded the fair value of the assets acquired by approximately \$3,363,000. Under the terms of the purchase agreement, we were obligated to pay the cash portion of the purchase price upon the closing of our private issuances of common stock that commenced in July 1999. In May 2000, Mr. Marino waived this requirement and instead received a payment of \$820,000 in cash and a subordinated secured term note for the principal amount of \$972,000 at an interest rate of 10% per annum, payable in equal installments over 24 months and requiring principal and interest payments of \$44,928 per month. This note was fully paid and retired during May 2002.

On April 1, 2000, we entered into a state representative agreement with Electric City of Illinois and on June 1, 2000, we entered into a state representative agreement with Electric City of Indiana. James Stumpe, one of our directors until his resignation in August 2001, is a member of Electric City of Illinois and, until October 15, 2001, was a member of Electric City of Indiana. The agreements grant to Electric City of Illinois and Electric City of Indiana distribution territories within the States of Illinois and Indiana, respectively. The members of our board other than Mr. Stumpe approved the terms of the transactions and believed the terms to be substantially similar to those of our other distributor or state representative agreements and as favorable to us as if negotiated with an unaffiliated third party. As of December 31, 2000 and 2001, the balance of our accounts receivable from Electric City of Illinois, LLC was \$229,757 and \$107,297, respectively, and sales to Electric City of Illinois were \$334,000 and \$157,000 for 2000 and 2001, respectively. As of December 31, 2000 and 2001, the balance of our accounts receivable from Electric City of Indiana was \$63,925 and \$65,077, respectively, and sales to Electric City of Indiana were \$105,000 and \$113,000 for 2000 and 2001, respectively.

On January 5, 2000, we entered into a distributor agreement with Electric City of Southern California L.L.C., of which Mr. Marino is a member, which provides for an initial term of 10 years. The agreement grants to Electric City of Southern California a distribution territory that extends from Monterrey to Fresno to the northern edge of Death Valley, south to the southern border of California. This agreement provides for terms that are substantially similar to those of our other distributor agreements and as favorable to us as if negotiated with an unaffiliated third party. As of December 31, 2000 and 2001, our accounts receivable from Electric City of Southern California was \$300,000 and \$438,675, respectively, and sales to Electric City of Southern California were \$362,000 and \$590,000 for 2000 and 2001, respectively.

Effective December 4, 2000, we entered into an agreement with Mr. Marino in which we agreed to grant to Mr. Marino distributorship rights of our EnergySaver product in Northern California, Nevada and Arizona and to enter into distributor agreements with Mr. Marino with respect to each of these distribution territories for an initial term of 10 years and on terms substantially similar to those of our other distributor and state representative agreements. With respect to the Southern California distribution territory, we agreed to permit Electric City of Southern California to transfer to Mr. Marino its current distributor agreement described above.

In October 2000, we entered into an agreement with KMC Telecom (for which Roscoe Young, one of our former directors, is President and Chief Operating Officer) to sell and install our TP3 switchgear product at three KMC Telecom facilities. The sale and installation amount for the three sites totaled \$773,802, of which \$435,551 was recognized in 2000 and \$338,951 was recognized in 2001. The aggregate amount was reflective of prices that would be charged to an unrelated third party. Installation of the TP3 switchgear began in November 2000 and was completed in June 2001.

Each of Augustine Fund, L.P., which converted all of its outstanding shares of our Series B Convertible Preferred Stock during June 2001 into shares of our common stock, and Messrs. Conant,

Konstant, Marino, McEneely and Stelter (each, a "Restricted Stockholder") (each, a "Restricted Stockholder") has entered into separate trading agreements with us that are effective for a term of three years beginning on October 17, 2000. The trading agreements restrict each Restricted Stockholder's transfer of our common stock as follows:

sales in any one trading day by such Restricted Stockholder shall not exceed the greater of 10,000 shares or 10% of the average trading volume of our stock during the 10 prior trading days;

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public trades by such restricted stockholders in an opening transaction, during the last half hour of any trading day and at any time outside of regular trading hours shall be prohibited; and

up to four times within any 12-month period, we may prohibit any Restricted Stockholder from trading the common stock for an entire trading day.

We have agreed to give each Restricted Stockholder a right of first refusal to sell his common stock to any third party that contacts us with a desire to purchase 100,000 or more shares of our common stock. This right will be allocated equally among each of the Restricted Stockholders who elect to participate in the sale. However, this right of first refusal will not preclude us from raising additional capital should such need arise.

During August 2001, Messrs. Conant, Konstant, Marino, McEneely and Stelter agreed to amendments of the terms of their trading agreements to provide that sales in any one trading day cannot exceed 5% of the average trading volume of our Common Stock on such day and such sales will not exceed 15% of such individual's holdings in any three-month period. In addition, if the Company and a managing underwriter request a market stand-off pursuant to a qualified public offering, each individual agrees not to sell, make any short sale of, grant any option for the purchase of, or otherwise dispose of any of their holdings (other than those included in the registration) without the consent of the underwriter. The market stand-off period will not exceed 180 days.

During 2001, our subsidiary, Switchboard Apparatus, Inc. paid \$328,323 to Harbrook Tool and Manufacturing Company ("Harbrook") for manufacturing and installing safety devices to distribution panels made by various manufacturers. For the period from September 2000 (effective with our purchase of Switchboard Apparatus) through December 31, 2000, we paid \$68,385 for the safety devices. A minority owner of Harbrook is Mr. Terry Hoppensteadt, who is a brother of Dale Hoppensteadt, the president of Switchboard Apparatus. We believe the amounts paid for such work are consistent with that which would be paid to an unrelated third party.

One of our wholly-owned subsidiaries, Switchboard Apparatus, Inc., leases its manufacturing facilities in Broadview, Illinois from owners which include Dale Hoppensteadt, the current president of Switchboard Apparatus. During 2001, we paid \$111,000 in lease payments. The lease was assumed with the purchase of Switchboard Apparatus, Inc. and expires in April 2004.

Our other wholly-owned subsidiary, Great Lakes Controlled Energy Corp. ("Great Lakes"), leases its office and warehouse facility in Elk Grove Village, Illinois from Eugene Borucki and Denis Enberg, the former owners of Great Lakes who are currently officers of our Company. During 2001, we paid \$70,000 in lease payments. The lease commenced with the purchase of Great Lakes in June 2001 and expires in June 2004.

On May 1, 2002, we entered into an agreement with Delano Group Securities, LLC ("Delano"), the President of which is Mr. David Asplund, who was nominated to our board of directors during June 2002 and is standing for election at our Annual Meeting. The agreement provided that Delano would receive a placement fee equal to 4% of the gross proceeds for any equity private placement in which Delano acted as placement agent. On June 4, 2002, we closed on a private placement issuance of Series C Convertible Preferred Stock with Mr. Richard Kiphart for which we received \$2,000,000 of gross proceeds. The placement agent fee paid to Delano was \$80,000.

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PROPOSAL 2

RATIFICATION OF INDEPENDENT AUDITORS

The Board of Directors has appointed BDO Seidman, LLP, independent public accountants, as auditors of our financial statements for the year ending December 31, 2002, and to perform other audit and accounting activities as may be requested from time to time by management or the Board of Directors. BDO Seidman, LLP has acted as our auditors since August 1998.

The Board of Directors has directed that the appointment of BDO Seidman, LLP as our auditors be submitted to the stockholders for ratification. If a majority of the shares of Common Stock voted at the Annual Meeting, in person or by proxy, are not voted in favor of the ratification of the appointment of BDO Seidman, LLP, the Board of Directors will interpret that as an instruction to seek other auditors.

It is expected that representatives of BDO Seidman, LLP, our independent public accountants, will be present at the meeting and will be available to respond to questions. Representatives of BDO Seidman, LLP will be given an opportunity to make a statement if they desire to do so.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF BDO SEIDMAN, LLP AS INDEPENDENT AUDITORS OF OUR FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2002.

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PROPOSAL 3

PROPOSAL TO AMEND OUR CERTIFICATE OF INCORPORATION TO INCREASE OUR AUTHORIZED CAPITAL STOCK AND AUTHORIZED COMMON STOCK

The Board of Directors has unanimously approved, subject to stockholder approval, an amendment to our Certificate of Incorporation to increase our authorized number of shares of capital stock from 90,000,000 to 125,000,000 and our authorized number of shares of Common Stock from 85,000,000 to 120,000,000. No changes will be made to the number of authorized shares of our preferred stock, which is 5,000,000. If approved, the first sentence of Article 4 of our Certificate of Incorporation would be amended in its entirety to read as follows:

"4. *Authorized Capital Stock.* The total number of shares of stock which the Corporation shall have authority to issue is 125,000,000, consisting of 120,000,000 shares of Common Stock, with a par value of \$.0001 per share, and 5,000,000 shares of Preferred Stock, with a par value of \$.01 per share (hereinafter, the "Capital Stock")."

As of June 14, 2002, we had (1) 31,196,378 shares of Common Stock issued and outstanding, (2) 20,161,680 shares of Common Stock reserved for conversion of Series A Convertible Preferred Stock (including shares of Series A Convertible Preferred Stock issued to date as payment for dividends), (3) 2,000,000 shares of Common Stock reserved for conversion of Series C Convertible Preferred Stock, (4) 9,607,971 shares of Common Stock reserved for issuance upon the exercise of outstanding options, and (5) 12,872,955 shares of Common Stock reserved for issuance upon the exercise of outstanding warrants.

As of June 14, 2002, we had (1) 2,016,168 shares of Preferred Stock outstanding (which shares of preferred stock are convertible into 20,161,680 shares of Common Stock, which shares of Common Stock are included in the preceding paragraph), (2) 475,000 shares of Series A Convertible Preferred Stock reserved for issuance upon the exercise of outstanding warrants (which shares of preferred stock are convertible into 4,750,000 shares of Common Stock (which are included in the preceding paragraph) and (3) 50,000 shares of Series C Convertible Preferred Stock reserved for issuance upon the exercise of outstanding warrants (which shares of preferred stock are included in the preceding paragraph).

Purpose and Reasons for the Amendment

The purpose of the proposed amendment to our Certificate of Incorporation is to increase the number of authorized shares of Common Stock to 120,000,000 shares, and thus to increase our authorized capital stock to 125,000,000 shares, principally to provide sufficient authorized Common Stock for general corporate purposes, including issuances pursuant to stock incentive plans for employees, officers and directors, possible future acquisitions and possible future equity financings.

Principal Effects of the Amendment

The additional shares of Common Stock to be authorized by adoption of the amendment would have rights identical to the currently outstanding Common Stock. Adoption of the proposed amendment and issuance of the Common Stock would not affect the rights of the holders of our currently outstanding Common Stock, except for effects incidental to increasing the number of shares of the Common Stock outstanding, such as dilution of the earnings per share and voting rights of current holders of Common Stock. If the amendment is adopted, it will become effective upon filing of a certificate of amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware.

Shares of our Common Stock, including the additional shares that will be authorized if the proposed amendment is adopted, may be issued, subject to certain exceptions, by the Board of

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Directors at such times, in such amounts and upon such terms as the Board of Directors may determine without further approval of the stockholders.

The additional shares of Common Stock that would become available for issuance if the proposed amendment is adopted could also be used by the Company to oppose a hostile takeover attempt or delay or prevent changes in control or management of the Company. For example, without further stockholder approval, the Board of Directors could adopt a "poison pill" that would, under some circumstances related to an acquisition of shares not approved by the Board of Directors, give some holders the right to acquire additional shares of Common Stock at a low price, or the Board could strategically sell shares of Common Stock in a private transaction to purchasers who would oppose a takeover or favor the current Board of Directors. Although this proposal to increase the authorized Common Stock has been prompted by our desire to make available additional shares of Common Stock for issuances pursuant to stock incentive plans for employees, officers and directors, possible future acquisitions and possible future equity financings and not by the threat of any hostile takeover attempt (nor is the Board of Directors currently aware of any such attempts directed at us), nevertheless, stockholders should be aware that approval of this proposal could facilitate future efforts by us to deter or prevent changes in control of the Company, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices.

Vote Required

The affirmative vote of the holders of a majority of the outstanding shares of our Common Stock will be required to approve this proposal to amend our Certificate of Incorporation. As a result, abstentions and broker non-votes will have the same effect as votes "against" the proposal.

THE BOARD OF DIRECTORS BELIEVES THAT THE PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION IS IN THE BEST INTERESTS OF OUR STOCKHOLDERS, AND, THEREFORE, RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO INCREASE OUR AUTHORIZED CAPITAL STOCK AND AUTHORIZED COMMON STOCK.

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MISCELLANEOUS AND OTHER MATTERS

Stockholder List

For at least ten days prior to the meeting, a list of stockholders entitled to vote at the Annual Meeting, arranged in alphabetical order, showing the address of and number of shares registered in the name of each stockholder, will be open for examination by any stockholder, for any purpose germane to the Annual Meeting, during ordinary business hours beginning at Electric City's principal executive offices by contacting the Corporate Secretary. The list will also be available for examination at the meeting.

Proposals of Stockholders for Next Year's Meeting

Stockholders may present proper proposals for inclusion in the proxy statement for our next annual meeting of stockholders by submitting their proposals to us in a timely manner. In order to be included in the proxy statement for our next annual meeting, stockholder proposals must be received by us no later than January 1, 2003, and must otherwise comply with the requirements of the applicable SEC rules. Notice of intention to present proposals at next year's annual meeting must be addressed to Corporate Secretary, Electric City Corp., 1280 Landmeier Road, Elk Grove Village, Illinois 60007. Any shareholder proposal to be considered at the our 2003 Annual Meeting of Shareholders, but not included in the proxy materials, must be submitted to the Company's Corporate Secretary by February 14, 2003, or the persons appointed as proxies may exercise their discretionary voting authority with respect to that proposal. The persons appointed as proxies may also exercise their discretionary voting authority with respect to shareholder proposals submitted prior to February 14, 2003, unless the proponent otherwise complies with the requirements of the Commission's Rule 14a-4 or Rule 14a-8.

Other Business

The Board of Directors is not aware of any other matters to be presented at the Annual Meeting other than those mentioned in this proxy statement and our enclosed Notice of Annual Meeting of Stockholders. If, however, any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy will vote in accordance with their best judgment.

Additional Information

The information set forth under Management's Discussion and Analysis or Plan of Operation in our report on Form 10-KSB for the fiscal year ended December 31, 2001 and filed with the Commission on April 15, 2002 (and a copy of which is included in the Annual Report to Shareholders which has been sent to shareholders with this proxy statement) are hereby incorporated by reference.

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We have enclosed a copy of our Annual Report to Stockholders for the fiscal year ended December 31, 2001, which includes our Annual Report on Form 10-KSB for such periods that we filed with the SEC. Upon the written request of any person who is a stockholder as of the record date, we will provide copies of the exhibits to the Form 10-KSB upon payment of a reasonable fee which shall not exceed our reasonable expenses in providing the exhibits. You should direct requests for these materials to Electric City Corp., 1280 Landmeier Road, Elk Grove Village, Illinois 60007, Attention: Corporate Secretary.

BY ORDER OF THE BOARD OF DIRECTORS,

Greg M. Rice
Secretary

Elk Grove Village, Illinois
July 2, 2002

**YOU ARE REQUESTED TO COMPLETE,
DATE, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY.**

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**ELECTRIC CITY CORP.
1280 Landmeier Road
Elk Grove Village, Illinois 60007**

**PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 31, 2002**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder(s) hereby appoints Jeffrey R. Mistarz and Greg M. Rice and each of them, with full power of substitution, as attorneys and proxies for, and in the name and place of, the undersigned, and hereby authorizes each of them to represent and to vote all of the shares which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Electric City Corp. to be held at the Comfort Inn, 2550 Landmeier Road, Elk Grove Village, Illinois 60007 on Wednesday, July 31, 2002 at 10:00 a.m., local time, and at any adjournments thereof, upon the matters as set forth in the Notice of Annual Meeting of Stockholders and Proxy Statement, receipt of which is hereby acknowledged.

THIS PROXY, WHEN PROPERLY EXECUTED AND RETURNED IN A TIMELY MANNER, WILL BE VOTED AT THE ANNUAL MEETING AND AT ANY ADJOURNMENTS THEREOF IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER(S). IF NO CONTRARY INDICATION IS MADE, THE PROXY WILL BE VOTED FOR ALL NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2, 3 AND 4 AND IN ACCORDANCE WITH THE JUDGMENT OF THE PERSONS NAMED AS PROXIES HEREIN ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(continued, and to be signed and dated, on reverse side)

FOLD AND DETACH HERE

ELECTRIC CITY CORP.
PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY. ý

[
The Board of Directors unanimously recommends that you vote FOR all nominees listed in Proposal 1 and FOR each of Proposals 2, 3 and 4.
]

- | | | | | | |
|----|--|--------------------|--------------|--------------|--|
| | For All o | Withhold All o | | | |
| 1. | Election of Directors: | | | | |
| | (Instruction: TO WITHHOLD AUTHORITY to vote for any individual nominee, strike a line through the nominee's name below) | | | | |
| | John P. Mitola | David R. Asplund | | | |
| | Kevin P. McEneely | Michael S. Stelter | | | |
| | Gerald A. Pientka | Robert J. Manning | | | |
| 2. | Proposal to ratify the appointment of BDO Seidman, LLP as the independent auditors of the Company's financial statements for the year ending December 31, 2002. | For o | Against o | Abstain o | |
| 3. | Proposal to approve an amendment to the Company's Certificate of Incorporation to increase its authorized shares of capital stock from 90,000,000 to 125,000,000 and its authorized shares of Common Stock from 85,000,000 to 120,000,000. | o | o | o | |
| 4. | Each of the persons named as proxies herein are authorized, in such person's discretion, to vote upon such other matters as may properly come before the Annual Meeting, or any adjournments thereof | o | o | o | |

Date _____, 2002

Signature

Signature (if held jointly)

Please date this Proxy and sign it exactly as your name(s) appears hereon. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee, guardian or other fiduciary, please indicate your capacity. If you sign for a corporation, please print full corporate name and indicate capacity of duly authorized officer executing on behalf of the corporation. If you sign for a partnership, please print full partnership name and indicate capacity of duly authorized person executing on behalf of the partnership.

FOLD AND DETACH HERE

PLEASE VOTE, SIGN EXACTLY AS NAME APPEARS ABOVE, DATE AND RETURN
THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

ELECTRIC CITY CORP.
1280 Landmeier Road
Elk Grove Village, Illinois 60007

PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 31, 2002

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THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder(s) hereby appoints Jeffrey R. Mistarz and Greg M. Rice and each of them, with full power of substitution, as attorneys and proxies for, and in the name and place of, the undersigned, and hereby authorizes each of them to represent and to vote all of the shares which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Electric City Corp. to be held at the Comfort Inn, 2550 Landmeier Road, Elk Grove Village, Illinois 60007 on Wednesday, July 31, 2002 at 10:00 a.m., local time, and at any adjournments thereof, upon the matters as set forth in the Notice of Annual Meeting of Stockholders and Proxy Statement, receipt of which is hereby acknowledged.

THIS PROXY, WHEN PROPERLY EXECUTED AND RETURNED IN A TIMELY MANNER, WILL BE VOTED AT THE ANNUAL MEETING AND AT ANY ADJOURNMENTS THEREOF IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER(S). IF NO CONTRARY INDICATION IS MADE, THE PROXY WILL BE VOTED FOR PROPOSALS 2, 3 AND 4 AND IN ACCORDANCE WITH THE JUDGMENT OF THE PERSONS NAMED AS PROXIES HEREIN ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(continued, and to be signed and dated, on reverse side)

**SEE REVERSE
SIDE**

FOLD AND DETACH HERE

ELECTRIC CITY CORP.

PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY. ý

[**The Board of Directors unanimously recommends that you vote FOR Proposals 2, 3 and 4.**]

INSTRUCTION: This Proxy is to be voted by certain stockholders who are holders of shares of Series A Convertible Preferred Stock and Series C Convertible Preferred Stock of the Company, which preferred stock has rights that enable such holders to vote their preferred stock on an as-converted basis. Each share of Series A Convertible Preferred Stock and Series C Convertible Preferred Stock is convertible into ten shares of the Company's common stock. On June 14, 2002, which is the date of record for stockholders to vote at the Company's Annual Meeting, the holders of the Company's Series A Convertible Preferred Stock and Series C Convertible Preferred Stock comprised the following:

Duke Capital Partners, LLC

EP Power Finance, L.L.C.

Morgan Stanley Dean Witter Equity Funding, Inc.

Originators Investment Plan, L.P.

Newcourt Capital USA, Inc.

Leaf Mountain Company, LLC

Richard Kiphart

Each of the aforementioned holders may cast their vote for Proposals 2, 3, and 4 but cannot cast a vote for Proposal 1 Election of Directors.

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| | For | Against | Abstain |
|---|-----------------------|-----------------------|-----------------------|
| 2. Proposal to ratify the appointment of BDO Seidman, LLP as the independent auditors of the Company's financial statements for the year ending December 31, 2002. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. Proposal to approve an amendment to the Company's Certificate of Incorporation to increase its authorized shares of capital stock from 90,000,000 to 125,000,000 and its authorized shares of Common Stock from 85,000,000 to 120,000,000. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. Each of the persons named as proxies herein are authorized, in such person's discretion, to vote upon such other matters as may properly come before the Annual Meeting, or any adjournments thereof. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Date _____, 2002

Signature

Signature (if held jointly)

Please date this Proxy and sign it exactly as your name(s) appears hereon. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee, guardian or other fiduciary, please indicate your capacity. If you sign for a corporation, please print full corporate name and indicate capacity of duly authorized officer executing on behalf of the corporation. If you sign for a partnership, please print full partnership name and indicate capacity of duly authorized person executing on behalf of the partnership.

FOLD AND DETACH HERE

**PLEASE VOTE, SIGN EXACTLY AS NAME APPEARS ABOVE, DATE AND RETURN
THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.**

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