

SECURITIES AND EXCHANGE COMMISSION

FORM 10SB12G/A

Form for initial registration of a class of securities for small business issuers pursuant to Section 12(g) [amend]

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FILER

ELECTRIC CITY CORP

CIK: **1065860** | IRS No.: **364197337** | State of Incorporation: **DE** | Fiscal Year End: **0430**
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Mailing Address
1280 LANDMEIR ROAD
ELK GROVE IL 60007

Business Address
1280 LANDMEIR ROAD
ELK GROVE FL 60007
8474371666

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-SBA
(Amendment No. 1)

ELECTRIC CITY CORP.

(Exact name of registrant as specified in its charter)

Delaware

36-4197337

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1280 Landmeier Road, Elk Grove Village, Illinois

60007

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number: (847) 437-1666

Securities to be registered under Section 12(b) of the Act:

Title of each class
to be so registered

Name of each exchange on which
each class is to be registered

None

Securities to be registered under Section 12(g) of the Act:

Common Stock, \$.0001 par value

(Title of class)

PART I

Items 1. Description of Business.

Electric City History and Recent Developments

Electric City Corp. is a development stage company that was formed to acquire and commercialize a proprietary device and proprietary software package that reduces the amount of electricity required to power various lighting facilities in commercial buildings, factories, and office structures, as well as street and parking lot lighting. All share amounts presented herein reflect the 2 for 1 share stock dividend on all outstanding shares of common stock effective July 30, 1999.

Electric City plans to manufacture and sell its EnergySaver State of the Art Lighting Control Technology (hereinafter referred to as the "EnergySaver"), an energy management and savings system which utilizes the technology, in the U.S. under an exclusive license agreement. Electric City's activities to date have included raising capital, developing prototypes and installing test systems at test sites in the U.S. and the limited sale of systems.

On May 24, 1999, Electric City entered into an agreement to purchase most of the assets, including inventory, of Marino Electric, Inc which agreement the parties have treated as closed as of May 24, 1999, subject to the payment of the balance of the purchase price. Marino Electric was a local designer and manufacturer of custom electrical switchgear and distribution panels owned by Joseph C. Marino, a director and principal shareholder of Electric City. The

purchase price of \$3,392,000 consists of the issuance of 1,600,000 shares of Electric City common stock and \$1,792,000 in cash to be paid from the proceeds of Electric City's current private placement described below. Electric City plans to increase overall revenues by marketing and distributing Marino Electric products in tandem with the EnergySaver.

Pursuant to the License Agreement dated January 1, 1998 between Giorgio Reverberi, the owner of the Italian patent on a proprietary device and proprietary software package underlying the EnergySaver, and Joseph C. Marino, a director and principal shareholder of Electric City (who sublicensed the rights to Electric City for use in the U.S.), Electric City must pay Reverberi a royalty of \$300 for each product unit made by or for Electric City and sold by Electric City.

Electric City was initially formed as a Delaware limited liability company (Electric City, L.L.C.) on December 5, 1997 to acquire the above-referenced license and commercialize the application of a patented device that reduces the amount of electricity required to power various lighting facilities in commercial buildings, factories, office structures and street and parking lot lighting.

On February 4, 1998, an Operating Agreement was entered into between Electric City, L.L.C.'s two members each owning 50%, Joseph C. Marino, who subsequently assigned his interest to Pino, L.L.C. ("Pino") and NCVC L.L.C., which is controlled by Victor Conant, Kevin McEneely, and Nikolas Konstant through dy/dx Consulting, LLC, a Delaware limited liability company. On June 5, 1998, Electric City, L.L.C. merged with and into Electric City Corp. and Joseph C. Marino sublicensed his rights under the Reverberi license agreement Electric City for use in the U.S.

2

In June 1998, Electric City issued 1,200,272 shares of its common stock representing approximately six (6) percent of Electric City's issued and outstanding common stock, to the approximately 330 shareholders of Pice Products Corporation, an inactive unaffiliated company with minimal assets, pursuant to merger agreement under which Pice was merged with and into Electric City. The purpose of the merger was to substantially increase the number of shareholders of Electric City to facilitate the establishment of a public trading market for Electric City common stock. Trading in Electric City common stock commenced on August 14, 1998 through the OTC Bulletin Board under the trading symbol "ECCC".

During July 1998, Electric City acquired its present corporate headquarters, manufacturing and warehouse located at 1280 Landmeier Road, Elk Grove Village, Illinois for the purchase price of \$1,140,000 of which \$800,000 was borrowed by way of a mortgage) and \$340,000 was paid by the issuance of 340,000 shares of its common stock. The mortgage debt bears interest at the rate of 8.25% per annum and is payable in monthly installments of principal and interest of \$6,876 until August 2003, with a final balloon payment of \$710,000 due in August 2003.

On May 24, 1999, Electric City entered into an asset purchase agreement with Marino Electric, Inc. a corporation wholly owned by Joseph Marino, a director and principal shareholder of Electric City. The agreement provides for the acquisition by Electric City of certain of the assets of Marino Electric except the accounts receivable, including work in progress, inventory, equipment and all goodwill trade names and trademarks free and clear of any claims, liens or encumbrances in exchange for \$1,792,000 in cash and 1,600,000 shares of Electric City common stock (at an assigned value of \$1.00 per share) for a total purchase price of \$3,392,000. Since that date, Electric City has delivered, as partial payment of the purchase price, 1,600,000 shares of its restricted common stock, however, the cash portion of the purchase price is to be paid at the closing of the minimum of Electric City's current private placement described herein. Electric City received an appraisal of a controlling interest in Marino Electric's common stock conducted by The Griffing Group, Inc., a party not affiliated with the transaction. This appraisal valued the Marino Electric business as a going concern at approximately \$3.2 million. However, the final purchase price includes adjustments to the appraisal amount to reflect the synergistic value of Marino Electric to Electric City and the expected strategic benefits to be derived from the combination over and above Marino Electric's stand-alone value. The parties are presently treating the transaction as having been closed effective May 24, 1999, subject to the payment of the balance of the purchase price, and therefore, Electric City has accrued a current liability on its books for \$1,792,000. The agreement also provides cross-indemnification against losses suffered as a result of breaches of the representations and warranties of the parties contained in the agreement.

Through June 30, 1999, Electric City had sold approximately 50 EnergySaver systems to commercial clients within the United States including Frito Lay, AAR Corporation, Tru Vue, a subsidiary of APOGEE ENTR and Chicago area automobile dealerships. These sales resulted in gross revenues of approximately \$300,000. In addition, demonstration EnergySaver units have been

installed for test periods in some City of Chicago buildings, including at O'Hare International Airport and several public libraries. Other test sites include Burger King restaurants and a Walgreen's distribution center in Wisconsin, a test conducted by Alliant Utilities.

3

Electric City's activities to date have included raising capital, establishing a sales distribution network, selling the EnergySaver product and preparing to assemble the EnergySaver product at Electric City's principal facilities located at 1280 Landmeier Road, Elk Grove Village, Illinois.

Business of Marino Electric

Marino Electric is a local designer and manufacturer of custom electrical switching gear and distribution panels which serve to distribute electricity from a building's principal power source to the various electric switches within a building. Marino Electric's products can be found in many buildings in the Chicago area, including the United Center, Navy Pier and McCormick Place.

Marino Electric's principal customers are electrical contractors for commercial building projects. Most Marino Electric contracts involve the custom manufacturing of electrical switching gear and distribution panels for such projects. In addition, Marino Electric fabricates cases (electrical boxes) and assembles circuit breakers, bus bars and switches. Marino Electric's principal parts suppliers are Siemens and Cutler Hammer.

Since Electric City's EnergySaver is attached to a building's electric distribution panel, Electric City plans to increase overall revenues for the combined entity by marketing and distributing Marino Electric products in tandem with the EnergySaver, which can be incorporated directly into the distribution panel for new construction projects. The acquisition is also expected to generally result in national exposure for Marino Electric's business.

Product - The EnergySaver

The EnergySaver is a computer controlled voltage regulation system that consists of control panels containing electrical parts in a free standing enclosure which is connected between the power line and the building's electrical lighting circuits. The EnergySaver controls the electric load by regulating linear voltage according to user specified inputs. The EnergySaver has an on-board computer with intelligent software that provides constant control and self-diagnosis and that can be easily accessed directly or remotely via modem or two-way radio. The EnergySaver is a scalable product that can be placed in series depending on a client's specific load requirements and custom fixtures are also available. The EnergySaver is Year 2000 compliant with a life expectancy of ten years.

The Company believes the benefits derived from the EnergySaver are substantial. These benefits include reducing the amount of energy required to power lighting systems by up to 50%, while significantly increasing the operating life of lighting bulbs and ballasts which supplies power to bulbs within the fixture. The EnergySaver interfaces with new and/or existing lighting panels, ballasts, and lamps without modifications. The EnergySaver provides output voltage stability, eliminating spikes and surges while providing protection from lightning strikes, electrical shocks and power interruptions.

4

Planned future enhancements to the EnergySaver include size reduction for smaller buildings under 5,000 square feet (e.g., single family homes) and continual product re-design to improve efficiency and manufacturability.

The European counterpart to the EnergySaver which uses the same proprietary licensed technology has approximately 5,000 European installations currently in use. This product has been sold in Europe for over 15 years where it has principally been used by governmental agencies for outdoor street lighting.

The Market Opportunity

The deregulation of the electric industry represents a unique opportunity for Electric City and the EnergySaver. According to Forbes Magazine, the electric power industry is \$215 billion in the U.S. alone. The industry is in the process of a rapid deregulation, and companies, governments and

individuals may soon be able to buy power from any supplier. New power generation and transmission companies will emerge. Large power suppliers like Enron, Duke Energy and Unicom, are actively seeking power saving technologies that will give them a competitive advantage in securing customers. Power customers are now seeking new ways to reduce their energy consumption costs, which in the past were fixed.

Increased environmental sensitivity due to the issue of climate change may result in consumer desire to lower energy use even in the presence of falling energy costs, encouraging the use of the EnergySaver. In October 1998, Coop America, an environmental consumer group, reported that one in four adults in the U.S. is starting to incorporate environmental and social values into purchasing and investing decisions. "Green" purchases may be on the rise. An October 1998 report by the World Watch Institute stated that not only is the earth's temperature rising, but that it may be rising at increasing rates. As it becomes widely recognized that the climate change is worsening, there may be increased efforts on the part of governments, industry and individuals worldwide to decrease greenhouse gas emissions that will have a positive effect on the energy conservation industry.

As a result of increased environmental sensitivity, Congress passed the Energy Policy Act of 1992 which requires all states to adopt the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE Standard 90.1-1989), or better for their state energy codes. ASHRAE 90.1-1989 sets prescriptive unit lighting power allowances (ULPA) of 0.4 watts per square foot for warehouses 250,000 square feet and over and 3.30 watts per square foot for retail facilities less than 2,000 square feet. Using a mid-range ULPA of 1.65 (corresponding to office buildings of 25,000 to 50,000 square feet) to estimate total connected lighting load for all commercial buildings equates to a total market size of approximately 93,225,000 kilowatts. This would justify a total possible market of about 3 million 100-amp EnergySaver units. The Company believes this estimate is probably conservative as older building may have several times the connected lighting loads now specified by ASHRAE 90.1-1989. The EnergySaver will help companies that are not in compliance achieve compliance by reducing energy consumption to acceptable levels.

5

The target market for Electric City's EnergySaver is any freestanding building, commercial or industrial, over 5,000 square feet and any large-scale outdoor lighting system (e.g. street and parking lot lighting) located in the U.S. The Company believes the potential U.S. market for EnergySaver sales is over \$26 billion. According to the Commercial Buildings Energy Consumption and Expenditures 1995, the most recent U.S. Department of Energy, Energy Information Administration survey of energy use in commercial buildings, in 1995 there were 4.6 (+/-0.4) million commercial buildings in the U.S., and these buildings comprised approximately 56.5 billion square feet, (i.e., 58.8 (+/-3.9) billion square feet of total floor space). Just in this market alone the potential for EnergySaver sales is \$13 billion.

Sales and Distribution

Electric City is in the process of establishing a comprehensive national sales and distribution network, along with strategic alliances with utility companies and energy management organizations.

Electric City is in the process of contracting with established regional distributors ("Regional Distributors") to carry and market the EnergySaver. Electric City has established relationships and works with distributors in 19 states and is currently negotiating contracts in New York City and Southern California. Electric City anticipates that by the end of 1999 it will have established distribution networks covering most of the U.S. Regional Distributors sign ten (10) year agreements for product distribution. The agreements have first year guaranteed sales, guaranteed through letters of credit. Years two through ten have sales quotas that increase throughout the term. Regional Distributors secure dealers to assist in their marketing and sales efforts. Both Regional Distributors and other dealers make their profit via product markup.

In addition, Electric City distributors plan to distribute the EnergySaver in tandem with the electric distribution panels manufactured by Marino Electric.

Electric City plans to establish a direct sales force to target large national or multinational companies. These sales people will focus their efforts on the energy engineering staffs of these companies, which can analyze and recommend the purchase of a device such as the EnergySaver for their multiple sites.

Finally, Joseph Marino is working to establish alliances and partnerships with utility companies to potentially buy and sell power and to

include the EnergySaver in their energy efficient programs, energy management organizations, and governmental agencies, such as the United States Department of Energy.

6

Marketing

Electric City has retained Burson-Marsteller, a high end, full service public relations firm to assist in the marketing efforts for the EnergySaver. They have developed a media campaign to introduce the Company to Chicago media, including print and television outlets. The retainer is for a period of six (6) months, commencing in March of 1999. It is the intention of the Company to continue this relationship.

Licenses and Trademarks

Pursuant to the License Agreement dated January 1, 1998 between Giorgio Reverberi, the owner of the foreign patent for the technology underlying the EnergySaver, and Joseph C. Marino, Chairman and CEO of Electric City (who has sublicensed the U.S. rights to Electric City), Electric City is to pay Reverberi a royalty of \$300 for each product unit made by or for Electric City and sold by Electric City. The term of the Reverberi license agreement, which is transferable by Mr. Marino so long as he retains an interest in the transferee, is until December 31, 2007, with automatic renewal available until December 31, 2017, unless written termination is provided by either party of the License Agreement no less than 90 days prior to the automatic renewal date. The license applicable to Electric City also provides an exclusive license to manufacture, have made, import, use and sell in the United States any product or method covered by one or more claims of the Reverberi's patents. The license granted to Electric City may be transferred or assigned to a corporation or other legal entity so long as Electric City retains any ownership interest in such legal entity.

In April 1999 Electric City filed applications with the U.S. Patent and Trademark Office to federally register its marks "EnergySaver State of the Art Lighting Control Technology" "EnergyMiser" and its corporate name. As of the date of this registration statement, the U.S. Patent and Trademark Office had not determined whether the marks and name could be federally registered and the Company cannot guarantee that registration certificates will be issued. Electric City currently relies solely on common law trademark protection. Under common law, Electric City generally has priority over subsequent users of confusingly similar marks in the same geographical areas, but does not have priority over a prior user of a similar mark. If prior use is established, Electric City may not be able to use its mark in the geographical area of the prior use. While Electric City's marks are important to Electric City, unavailability of its marks in any particular geographical area may not necessarily have a material adverse effect on Electric City. However, such unavailability may preclude utilization of competitive advantages that come with nationwide or regional marketing and advertising.

Patents

Electric City's business, apart from that of Marino Electric, is substantially dependent on the licensed proprietary electric load reduction technology underlying the EnergySaver. This technology has been patented by Giorgio Reverberi under Italian law but not in the U.S. While a U.S. patent application was filed by Mr. Reverberi in November 1997 and is pending, the Company cannot guarantee that protection under U.S. patent laws will be granted or that, if granted, Electric City will be able to enforce such protection in the event of infringement. In light of technological advances that may be made in products of this type, Electric City regards the value of the protection provided by the patent to be of uncertain duration.

7

In addition, Electric City is continually striving to make synergistic enhancements to the EnergySaver technology. Electric City intends to seek patent protection for such technological enhancements to the extent that they are separately patentable. However, the proprietary information may become known to competitors or others may independently develop substantially equivalent or better products that do not infringe on Electric City's property information rights.

Competition

Although Electric City is not aware of any direct competitors currently offering products comparable to the EnergySaver, competitors are expected to develop or license their own technologies and to begin to offer products that

will compete with EnergySaver. Many of these competitors will have greater financial, technical, marketing, customer service and other resources available than Electric City. Electric City anticipates that the principal competitive factors in this emerging industry will be affordable and flexible technology. Electric City intends to aggressively market its products and quickly achieve a significant market share which will help it withstand the entry of future competitors. (See "Marketing.") However, there can be no assurance that Electric City will succeed in this endeavor or will be able to achieve and maintain profitability in the highly-competitive environment for energy management products and services which is likely to develop.

Marino Electric competes primarily with national suppliers of electrical switchboards such as Siemens and Cutler Hammer, and several local electrical manufacturers in Illinois. Competition in Marino Electric's industry revolves primarily around the price of the product and the time it takes to complete the project. Marino Electric believes that it can generally complete custom projects more quickly than the other national competitors.

Manufacturing

The Reverberi license agreement provides that the licensee may manufacture its own EnergySaver units. Electric City has begun manufacturing the units at its principal facility in Elk Grove Village, Illinois, with most of the component parts supplied by multiple U.S. manufacturers. Electric City continues to engage in contracting with certain suppliers to arrange additional reliable sources of supply of parts. However, at the present time Electric City is entirely reliant on Electronica Reverberi S.A., which is controlled by Mr. Reverberi, to supply the computer processor component of the EnergySaver. The inability of the Company to obtain components parts from Reverberi at this time would have a material adverse effect upon the Company, its revenue and its profitability. The Company has designed and is developing a new software system that is anticipated to be manufactured locally to overcome this risk. Although Electric City is currently in discussion with a North American source of supply for the computer processor component, the Company cannot guarantee that such efforts will be successful.

8

Due to the capabilities and expertise of the personnel obtained from Marino Electric, Electric City plans eventually to enter into arrangements whereby mass production of the EnergySaver would be performed by contract manufacturers and Electric City's facility in Chicago would be used primarily for custom orders and technological improvements to the EnergySaver.

Company Financing

For information concerning Company financing, see Item 2. Plan of Operation.

Research and Development

The Company, through the day to day use of EnergySaver and its components, and their use at various testing sites around the country develops modifications and improvements to the product. Total research and development costs charged to operations were \$1,923,000.

Employees

As of June 30, 1999 Electric City had 37 employees, including 17 former employees of Marino Electric. 35 of these employees are employed full-time. Electrical manufacturing employees from Marino Electric are covered by collective bargaining agreements. Electric City considers its relations with its employees to be satisfactory.

Item 2. Plan of Operation

Electric City is a development stage company that was formed to acquire and commercialize a proprietary device and proprietary software package that reduces the amount of electricity required to power various lighting facilities. Electric City's activities, to date, have included raising capital, developing prototypes, installing test systems at test sites in the U.S. and the limited sale of its EnergySaver system.

On May 24, 1999, Electric City entered into an agreement to purchase most of the assets of Marino Electric, which is a designer and manufacturer of custom electrical switchgear and panels.

From December 5, 1997 through April 30, 1999, Electric City has borrowed a total of \$1 million from related parties to fund its initial operating expenses. As of July 30, 1999, \$500,000 of this amount has been converted into 500,000 shares of common stock and \$200,000 remains outstanding and payable on demand. In addition, a total of \$98,968 in operating expenses has been paid on behalf of Electric City by principal shareholders. (See "Certain Relationships and Related Transactions.") This amount has been treated as additional paid in capital in the Electric City financial statements as of April 30, 1999.

In addition, Electric City has raised a total of \$1,365,179 in cash and received services with a recorded value of \$2,715,899 through private placements of its common stock. Further, Electric City has purchased land and a building for its principal offices with a recorded value of \$1,140,000 through the issuance of \$800,000 in debt and the issuance of common stock. The mortgage debt bears interest at 8.25% and is payable in monthly principal and interest installments of \$6,876 until August 2003, with a final balloon payment of \$710,000 due in August 2003.

From May 1, 1998 through April 30, 1999, Electric City has used cash of \$1,724,048 in operating activities, primarily attributable to selling, general and administrative expenses, and used cash of \$945,320 in investing activities to purchase property and equipment.

9

The agreement for the purchase of Marino Electric assets provided for the issuance of 1,600,000 shares of common stock and the payment of \$1,792,000 in cash. The tangible assets acquired consist primarily of equipment and inventory.

In addition to the cash needed to complete the purchase of Marino Electric assets and implement the planned expansion of Marino Electric from a local to a national company, Electric City currently estimates that additional cash may be needed for possible niche acquisitions within the next 12 months of companies which supply components for the EnergySaver or sell products which are complementary to the marketing and distribution of the EnergySaver. Electric City also expects to hire key management personnel such as a chief financial officer and a chief operating officer within the next twelve months. Only a very small portion of the cash requirements for these items is expected to be satisfied through operating revenues.

To satisfy its cash requirements, in July 1999 Electric City obtained a one-year line of credit for \$500,000 from LaSalle Bank N.A. Amounts drawn on this line of credit bear interest at the prime rate plus 1% and are collateralized by substantially all of the assets of Electric City. Electric City has borrowed approximately \$200,000 against this line of credit. In addition, Electric City is currently seeking to raise up to an additional \$9,900,000 through a private placement of up to 2,200,000 shares of its common stock. The net proceeds of this offering are to be used for the purchase of the assets of Marino Electric, to purchase inventory, to repay indebtedness to principal shareholders and for general working capital purposes.

Although Electric City cannot determine at this time how much cash will be raised in the next 12 months from financing activities, management believes it will be able to raise the additional cash to complete the acquisition of Marino Electric's assets and continue its operations for the next 12 months. Electric City anticipates additional private placements or public offerings of debt or equity securities. Failure of Electric City to raise needed cash would likely have a material adverse effect on Electric City's ability to rapidly establish a significant market share in the emerging electricity load reduction industry which could be critical to the ability of Electric City to compete in the long-term.

Year 2000 Readiness Disclosure

Computer programs or other embedded technology that have been written using two digits (rather than four) to define the applicable year and that have time-sensitive logic may recognize a date using "00" as the Year 1900 rather than the Year 2000, which could result in widespread miscalculations or system failures. Both information technology systems and non-information technology systems using embedded technology may be affected by the Year 2000. Electric City's EnergySaver is Year 2000 compliant and Electric City believes that its other equipment will not be affected by the Year 2000. Electric City does not utilize any proprietary computer software, but uses a commercially available accounting software program licensed from Intuit. Electric City has been advised that the software it uses is Year 2000 compliant.

Electric City has not completed its assessment of Year 2000 issues, in particular the process of verification of whether the critical technology systems of distributors, vendors, suppliers and significant customers with which Electric City has material relationships are Year 2000 compliant. Under a worst-case scenario, if Electric City and such third parties are unable to address potential Year 2000 problems in a timely manner, it could result in material financial risk to Electric City, including distributor, supplier and customer delays resulting in delay of revenue and substantial unanticipated costs. Therefore, Electric City plans to devote all resources necessary to resolve anticipated Year 2000 problems which it can control in a timely manner. Electric City does not expect that costs of remediating Year 2000 problems will be material. Electric City does not currently have a Year 2000 contingency plan. Electric City is currently not able to determine whether the Year 2000 will have a material effect on Electric City's financial condition, results of operations or cash flows.

Item 3. Description of Property.

Electric City's principal executive offices, as well as manufacturing and warehouse space are contained in a single story building of approximately 16,000 square feet located at 1280 Landmeier Road, Elk Grove Village, IL 60007. Electric City purchased this property in July 1998 in exchange for \$800,000 in the form of a first mortgage and the issuance of 340,000 shares of Electric City common stock. The property remains encumbered by first mortgage indebtedness in the amount of \$786,887.17 at June 30, 1999. The location is approximately 60% manufacturing and 40% office.

Electric City's management believes this facility is satisfactory for all of its needs for the foreseeable future and that the property is adequately covered by insurance.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The table below sets forth the beneficial ownership as of July 30, 1999 of shares of Electric City's outstanding common stock, \$0.0001 par value per share, (i) by all persons known to Electric City to be the beneficial owner of more than 5% of the common stock and (ii) by each member of Electric City's board of directors, Electric City's Named Executive Officer (as defined in Item 6 below) and by all Directors and the Named Executive Officer as a group.

As of July 30, 1999, there were 26,240,250 shares of common stock issued and outstanding. On July 8, 1999, the Electric City board of directors declared a 2 shares-for-1 share stock split of all of the issued and outstanding shares of common stock as of July 29, 1999.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership -----	% of Class* -----
<S>	<C>	<C>
Pino, LLC (1) 1280 Landmeier Road Elk Grove, IL 60006	11,075,002	42.2%
NCVC L.L.C. (2) 7300 N. Lehigh Niles, IL 60714	9,124,998	34.8%

</TABLE>

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership -----	% of Class* -----
<S>	<C>	<C>

Joseph C. Marino (3) (4) 1280 Landmeier Road Elk Grove, IL 60006	11,433,135 (5)	43.6%
Michael S. Stelter (3) 1280 Landmeier Road Elk Grove, IL 60006	155,000 (6)	0.6%
Kevin P. McEneely (3) 7300 N. Lehigh Niles, IL 60714	9,124,998 (7) (8)	34.8%
Victor L. Conant (3) 7300 N. Lehigh Niles, IL 60714	9,124,998 (7) (9)	34.8%
Nikolas Konstant 7300 N. Lehigh Niles, IL 60714	9,124,998 (7)	34.8%
All Directors and Named Executive Officer as a group (4 persons)	20,723,133	79.0%

<FN>

* Rule 13d-3(d)(1)(i) under the Securities Exchange Act of 1934, regarding the determination of beneficial owners of securities, includes as beneficial owners of securities, among others, any person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares voting power and/or investment power with respect to such securities; and, any person who has the right to acquire beneficial ownership of such security within sixty days through a means, including, but not limited to, the exercise of any option, warrant, right or conversion of a security. Any securities not outstanding that are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person, but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person.

- (1) Pino, LLC is an entity in which Joseph Marino holds a 70% membership interest and Michael Stelter holds a 10% membership interest.
- (2) NVCV L.L.C. is an entity with which Kevin P. McEneely and Victor L. Conant, directors of Electric City, and Nikolas Konstant, an affiliate of Electric City, are affiliated and who may be deemed beneficial owners of the Electric City common stock held by NVCV L.L.C.
- (3) Member of the Board of Directors.

12

- (4) Named Executive Officer.
- (5) Consists of all 11,075,002 shares held of record by Pino, LLC, 328,133 shares held directly by Mr. Marino and 40,000 shares held by Mr. Marino's son.
- (6) Consists of 155,000 shares held of record by Mr. Stelter. Since Mr. Stelter owns only a 10% membership interest in Pino, LLC and thus is not able to control Pino, no shares held of record by Pino have been attributed to Mr. Stelter. All shares held of record by Pino have been attributed to Mr. Marino, who holds a controlling 70% membership interest in Pino.
- (7) Consists of 9,124,998 shares held of record by NVCV L.L.C. which is controlled by Messrs. Conant, McEneely and Konstant. Such shares are deemed to be beneficially owned by each of these individuals.
- (8) Mr. McEneely disclaims beneficial ownership of an aggregate of 448,846 shares held by Patrick McEneely and Ryan McEneely, his adult children.
- (9) Mr. Conant disclaims beneficial ownership of an aggregate of 470,748 shares held in trust for Carson Conant and Chappell Conant, his adult children.

</FN>

</TABLE>

As of July 30, 1999, Pino, LLC and NVCV L.L.C. each held options to acquire 2,000,000 shares of Electric City common stock at an exercise price of \$1.10 per share. These options become exercisable on January 2, 2000 and expire in June 2008. Effective January 4, 1999, Electric City granted to Joseph Marino an option to acquire up to 900,000 shares at an exercise price of \$1.75 per share. This option becomes exercisable in pro rata installments at the end of each of the first four years after the date of grant and expires in December 31, 2008.

In January 1999, certain employees were granted options to purchase 304,000 shares of common stock at an exercise price ranging from \$1.75 to \$3.50. 150,000 options vested upon the signing of the option agreements and 154,000 will vest in fiscal 2000. In addition, as of July 30, 1999 there were outstanding warrants to purchase 200,000 shares of Electric City common stock at an exercise price of \$2.00 per share. Further, in April 1999 Electric City entered into a contract with John Prinz & Associates LLC whereby Electric City may issue up to 340,000 shares of common stock to Prinz upon the completion of certain services for Electric City. Through July 30, 1999, 80,000 shares had been issued to Prinz See "Recent Sales of Unregistered Securities."

Item 5. Directors, Executive Officers, Promoters and Control Persons.

The directors and executive officers of Electric City are as follows:

Name	Age	Positions Held With Company
Joseph C. Marino	44	Chief Executive Officer and Chairman of the Board of Directors and a Director
Kevin P. McEneely	51	Senior Executive Vice President, Chief Operating Officer, Secretary and a Director
Michael S. Stelter	42	Vice President of Sales and a Director
Victor L. Conant	52	Director

All directors of Electric City are elected annually unless no annual shareholders' meeting is held, in which event the Directors serve until their successors have been elected and qualified. There is no limit on the number of one-year terms which a Director may serve. Officers of Electric City serve at the discretion of the Board of Directors.

There are no family relationships among directors or executive officers of Electric City.

Additional information concerning each director and executive officer of Electric City follows:

Joseph C. Marino is a co-founder of Electric City and has served as Chief Executive Officer of Electric City since its organization as a limited liability company in December 1997 and as Chairman of the Board of Directors of Electric City since its incorporation in June 1998. Mr. Marino also serves as President of Marino Electric, a position he has held since his founding of Marino Electric in 1986. Marino Electric is an electrical manufacturing company which is wholly owned by Mr. Marino.

Kevin P. McEneely is a co-founder of Electric City and has served as Senior Executive Vice President and Chief Operating Officer of Electric City since its organization in December 1997, and as a director of Electric City since its incorporation in June 1998. Mr. McEneely is also an Executive Vice President of Nightingale-Conant Corporation, a position which he has held since 1985. Nightingale-Conant Corporation is a publisher and marketer of audio and video self-improvement materials.

Michael S. Stelter is a co-founder of Electric City and has served as Vice President of Sales since its organization in December 1997 and as a director of Electric City since its incorporation in June 1998. Mr. Stelter also serves as Vice President of Marino Electric, a position which he has held since 1987.

Victor L. Conant is a co-founder of Electric City and has served as a director of Electric City since its incorporation in June 1998. Mr. Conant is also President and Chief Executive Officer of Nightingale-Conant Corporation, a position which he has held since 1986.

Promoter and Control Person

Nikolas Konstant is a co-founder of Electric City. Mr. Konstant is also the Managing Member of DYDX LLC, a private investment company. DYDX is a special limited partner of the Catterton Simon LLP, a venture capital fund ("CSP III").

Item 6. Executive Compensation.

Summary Compensation Table

The following table summarizes the total compensation awarded or paid by Electric City to Electric City's Chief Executive Officer for the fiscal year ended April 30, 1999, Electric City's first completed fiscal year. No other executive officer of Electric City had a total annual salary and bonus in excess of \$100,000 for fiscal 1999. Accordingly, Electric City's Chief Executive Officer is the only Named Executive Officer of Electric City under SEC rules.

<TABLE>
<CAPTION>

Annual Compensation					Long Term Compensation			
Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Restricted Stock Award(s) (\$)	Options (#)	LTIP Payouts (\$)	All Other Compensation (\$)
<S> Joseph C. Marino, Chief Executive Officer	<C> 1999	<C> \$60,000 (1)	<C> \$0	<C> \$0	<C> \$0	<C> 2,700,000 (2)	<C> \$0	<C> \$0

<FN>

(1) In connection with Electric City's initial formation as a limited liability company, Mr. Marino agreed to an initial salary of \$60,000 per year until Electric City obtained sales levels in excess of \$1,000,000, at which time his annual salary was to be increased to \$150,000. Effective January 1, 1999, Electric City and Mr. Marino entered into a 3-year employment agreement which provides for an annual salary of \$225,000.

(2) Effective July 31, 1998, Electric City granted to Pino LLC a 10-year option to acquire up to 2,000,000 shares of common stock at an exercise price of \$1.10 per share. This option becomes exercisable on January 2, 2000. Mr. Marino owns a 70% membership interest in Pino, LLC. Effective January 4, 1999, Electric City granted to Joseph Marino an option to acquire up to 900,000 shares at an exercise price of \$1.75 per share. This option becomes exercisable in pro rata installments at the end of each of the first four years after the date of grant and expires in December, 2008.

</FN>
</TABLE>

Compensation of Other Executive Officers and Directors

There are no standard or other compensation arrangements for directors of Electric City for their services as such, including service on committees or special assignments, except for the standard reimbursement of expenses for attendance at board of directors meetings.

Option Exercises and Values

Option/SAR Grants in Last Fiscal Year

(Individual Grants)

<TABLE>
<CAPTION>

Name	Number of Securities Underlying Options/SARS granted (#)	Percent of total options/SARS granted to employees in fiscal year	Exercise or base price (\$/Sh)	Expiration Date
<S>	<C>	<C>	<C>	<C>

Joseph C. Marino	1,400,000	35% (1)	\$1.10/Sh	06/25/2008
Joseph C. Marino	900,000	18% (2)	\$1.75/Sh	12/31/2008

15

<FN>

(1) Mr. Marino owns a 70% membership interest in Pino, LLC, to which an option to acquire up to 2,000,000 shares of common stock was issued in 1998. Michael Stelter owns a 10% membership interest in Pino, LLC.

(2) Effective January 4, 1999, Electric City granted to Joseph C. Marino an option to acquire up to 900,000 shares at an exercise price of \$1.75 per share. This option becomes exercisable in prorata installments at the end of each of the first four years after the date of grant and expires in December, 2008.

</FN>

</TABLE>

Aggregate Option/SAR Exercise in Last Fiscal Year
And FY-End Option/SAR Values

<TABLE>

<CAPTION>

Name	Shares acquired on exercise (#)	Value realized (\$)	Number of unexercised options/SARS at FY-end(##) exercisable/unexercisable	Value of unexercised in-the-money options/SARS at FY-end (\$) exercisable/unexercisable
<S>			<C>	<C>
Joseph C. Marino	-	-	0/1,400,000	0/\$ 2,660,000 (1)
Joseph C. Marino	-	-	0/900,000	0/\$ 1,125,000 (2)

<FN>

(1) Based on the difference between the \$1.10 per share exercise price and the closing bid quotation for Electric City common stock on the OTC Bulletin Board for April 30, 1999 of \$3.00 per share (post split).

(2) Based on the difference between the \$1.75 per share exercise price and the closing bid quotation for Electric City common stock on the OTC Bulletin Board for April 30, 1999 of \$3.00 per share (post split).

</FN>

</TABLE>

Long-Term Incentive Plans

The Company has no long-term incentive plans.

Employment Contracts

Effective January 1, 1999, Electric City and Mr. Marino entered into a 3-year employment agreement which provides for an annual salary of \$225,000.

16

Item 7. Certain Relationships and Related Transactions.

On February 4, 1998, in connection with the organization of Electric City, Joseph C. Marino and NCVC, L.L.C. entered into an operating agreement, which was amended on May 26, 1998, which commenced the operation of Electric City as a limited liability company. Under the operating agreement, NCVC agreed to loan Electric City \$500,000 to meet operating cash needs of Electric City and to secure a letter of credit with a financial institution for \$500,000. In

exchange Joseph C. Marino sublicensed his rights under the Reverberi license agreement to Electric City. No value was accorded for the sublicense or the securing of the letter of credit. Of the total of \$500,000 transferred to Electric City, \$374,000 was transferred through May 31, 1998, with the remaining \$126,000 loaned to Electric City in July 1998. The letter of credit was retired by the payment by NCVC of \$250,000 to Mr. Marino. Upon completion of this transaction, each of Mr. Marino and NCVC will have a further obligation to loan Electric City up to \$250,000 on an as-needed basis. As of April 30, 1999, outstanding debt under this arrangement totaled \$500,000. As of July 30, 1999, outstanding debt under this arrangement totaled \$200,000. These loans bear interest of 9% and are payable on demand. Accrued interest on this debt was approximately \$16,000 at July 30, 1999.

Under the operating agreement, NCVC agreed to loan up to \$500,000 to Electric City to meet its cash needs prior to a private placement offering in June 1998. The loans, which represented convertible debt, bore no interest, and were converted to 500,000 shares of Electric City common stock upon completion of the private placement.

During the period from December 5, 1997 (date of inception) through April 30, 1999, Electric City paid approximately \$165,000 to Marino Electric for goods purchased and services rendered. Marino Electric is wholly owned by Mr. Marino. Further, since January 1, 1999 Electric City has allowed Marino Electric to use portions of Electric City's building without charge.

Effective May 24, 1999, Electric City entered into an agreement to acquire most of the assets of Marino Electric for a purchase price of \$3,392,000 consisting of \$1,792,000 in cash and 1,600,000 shares of Electric City common stock.

Mr. Marino has transferred to Global Energy Ventures, an entity owned on a 50%-50% basis by Pino, LLC and NCVC L.L.C., his rights under the Reverberi license agreement to sell EnergySaver in Canada, Mexico, and portions of South America. Mr. Marino controls Pino, LLC and NCVC L.L.C. is an entity with which Kevin P. McEneely, Victor L. Conant and Nikolas Konstant are affiliated. Global Energy Ventures has not commenced operations.

Item 8. Description of Securities.

Electric City Corp. is authorized under its certificate of incorporation to issue 60,000,000 shares of \$.0001 par value common stock and 5,000,000 shares of preferred stock, par value \$.01 per share. All of the common shares are entitled to one vote on any matter brought before the shareholders including the election of directors. The preferred stock may be issued in series and the board of directors is specifically vested with the authority to establish and designate series of preferred and fix rights, preferences, privileges and restrictions of any series of the preferred stock, including without limitation, those relating to any dividend rights and terms, conversion rights, voting rights, redemption rights, liquidation preferences and sinking fund terms.

17

Electric City common stock has been subject to the "penny stock" rules under the Securities Exchange Act of 1934, which cover any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Any broker engaging in a transaction in a penny stock is required to provide any customer with a risk disclosure document, disclosure of market quotations, if any, disclosure of the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market values of penny stocks held in the customer's accounts. The bid and offer quotation and compensation information must be provided prior to effecting the transaction and must be contained on the customer's confirmation. Certain brokers are less willing to engage in transactions involving penny stocks as a result of the additional disclosure requirements described above. If the per share market price of Electric City common stock falls below \$5.00, the penny stock rules may make it more difficult for holders of Electric City common stock to dispose of their shares.

PART II

Item 1. Market for Common Equity and Related Stockholder Matters.

Market Information

Electric City common stock has been quoted on the OTC Bulletin Board under the symbol "ECCC" since August 14, 1998. The following table sets forth the range of high and low closing per share bid quotations for Electric City common stock for each fiscal quarter since August 14, 1998. Such prices are reported by the OTC Bulletin Board inter-dealer quotation system and reflect

inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. These amounts are from trading days prior to the 2-for-1 share stock dividend of all outstanding shares of common stock effective July 30, 1999.

Fiscal Quarter -----	High ----	Low ---
Fiscal Year 1999		
Quarter Ended 10/31/98(1)	\$3.438	\$.875
Quarter Ended 1/31/99	\$2.938	\$1.125
Quarter Ended 4/30/99	\$3.905	\$1.625
Fiscal Year 2000	\$14.84	\$2.25
Quarter Ended 7/31/99		

(1) Since August 14, 1998.

18

The closing quotation for Electric City common stock on the OTC Bulletin Board on July 30, 1999 was \$8.56 per share. Electric City intends to apply for the listing of its common stock on the Nasdaq SmallCap Market when as it meets the requirements for such listing. However, Electric City cannot provide assurance that its application will be approved. The requirements that Electric City must meet include the registration of its common stock with the SEC under the Securities Exchange Act of 1934, a per share market price of \$4.00, \$4,000,000 in net tangible assets, 3 registered and active market makers and 300 round lot (100 shares or more) shareholders.

Electric City has never paid a cash dividend with respect to its common stock and does not anticipate paying cash dividends on its common stock in the foreseeable future.

As of June 30, 1999 there were approximately 450 holders of record of Electric City common stock not including those shares beneficially held in brokerage accounts.

Item 2. Legal Proceedings.

Neither Electric City nor any of its properties are the subject of any pending legal proceeding, nor is Electric City aware of any contemplated legal proceeding involving Electric City or its property.

Item 3. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 4. Recent Sales of Unregistered Securities.

Since its inception on December 5, 1997, Electric City has sold securities in the transactions described below without registering the securities under the Securities Act of 1933. Except as otherwise indicated, no underwriter or sales or placement agent was involved in the transactions.

(1) In February 1998, initial membership interests in Electric City L.L.C. were issued to Joseph Marino and NCVC L.L.C. in exchange for the sublicense of Mr. Marino's rights under his license agreement with Giorgio Reverberi to the technology underlying the EnergySaver and an agreement by NCVC L.L.C. to make capital contributions of up to \$500,000 and to cause the issuance of a \$500,000 irrevocable standby letter of credit in favor of Mr. Reverberi. Such limited liability company membership interests were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Mr. Marino subsequently transferred his membership interests to Pino, LLC. These interests were converted into an aggregate of 20,000,000 shares of common stock upon the conversion of Electric City to a corporation by the merger of Electric City L.L.C. into Electric City Corp.

19

(2) In June 1998, Electric City issued an aggregate of 1,200,272 shares of common stock valued at \$0.00 to the approximately 330 shareholders of Pice Products Corporation, an inactive company with minimal assets, pursuant to a merger agreement under which Pice Products was merged with and into Electric City. Such shares were issued in reliance upon the exemption from registration provided by Rule 504 of Regulation D promulgated under the Securities Act of 1933.

(3) In June 1998, Electric City concluded a private placement under which it issued an aggregate of 940,000 shares of common stock to 47 persons in exchange for an aggregate of \$440,000 in cash and the conversion of Electric City's indebtedness to NCVC L.L.C. in the amount of \$500,000. Such shares were issued in reliance upon the exemption from registration provided by Rule 504 of Regulation D promulgated under the Securities Act of 1933.

(4) In July 1998, Electric City granted to Pino, LLC and NCVC L.L.C. 10-year options to acquire up to an aggregate of 4,000,000 shares of common stock at an exercise price of \$1.10 per share. These options become exercisable on January 2, 2000. The options were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

(5) In September 1998, Electric City issued an aggregate of 340,000 shares of common stock to Giovanni and Maria Gullo, Anthony and Rebecca Petropoulos, and James and Rosanne Spanola pursuant to a Real Estate Sales Contract dated July 3, 1998, under which Electric City acquired real estate for its new headquarters. The total purchase price for the property was \$1,140,000 of which \$800,000 was paid through issuing a mortgage at the closing and the balance of \$340,000 was paid pursuant to the issuance of 340,000 shares of common stock. Such shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

(6) On January 18, 1999, Electric City entered into a six-month consulting agreement with 1252996 Ontario Limited (d/b/a The Stockpage) under which Electric City issued in April 1999 an aggregate of 200,000 shares of common stock and warrants to purchase 200,000 shares of common stock at an exercise price of \$2.00 per share, in exchange for investor relations services through the Internet. Under the agreement, Electric City is to commence registration of the 200,000 shares of issued common stock within six months from the date of the agreement, if it is legally able to do so. Electric City has not commenced such registration. The shares of common stock and the warrants were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

(7) In February and March 1999, Electric City issued 911,978 shares of common stock in exchange for \$938,202. Such shares were issued in reliance upon the exemption from registration provided by Regulation D and Section 4(2) promulgated under the Securities Act of 1933.

20

(8) In April 1999, Electric City issued an aggregate of 996,000 shares of common stock to TJ Riley and Associates (Tom Riley), Giorgio Reverberi, Giuseppe Tagliati, The Stockpage and Richard Levy in exchange for consulting services rendered. Such shares were issued in reliance upon the exemption from registration provided by Rule 4(2) of the Securities Act of 1933.

(9) In April 1999, Electric City entered into a consulting agreement for an initial six-month period with John Prinz & Associates LLC. Under the agreement, Prinz was to provide financial and promotional consulting services for Electric City. The agreement provides that in exchange for such services Prinz was to receive:

- o 50,000 shares of Electric City common stock if Electric City agrees to work with a market maker for Electric City common stock introduced by Prinz, and
- o up to an additional 120,000 shares of Electric City common stock and certain other fees upon the completion of certain other services by Prinz on behalf of Electric City.

The agreement also provides that all shares of Electric City common stock issued under the agreement will have piggyback registration rights with respect to any registration statement filed by Electric City with the SEC.

In May, 1999, Electric City issued 80,000 shares of common stock to Prinz under this agreement. The shares of Electric City common stock issued under the agreement were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Prinz Capital is

required to perform additional services to receive the additional shares, which may not be required by the Company.

(10) In May 1999, Electric City issued 1,600,000 shares of common stock to Joseph Marino in connection with the acquisition of certain assets of Marino Electric for the purchase price of \$3,392,000 consisting of \$1,792,000 in cash and 1,600,000 shares of the Electric City common stock. Such shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

(11) The Company is presently attempting to sell 2.2 million shares of its common stock on a best efforts basis pursuant to a confidential private placement memorandum. Such shares will be issued in reliance upon the exemption from registration provided by Rule 506 of Regulation D of the Securities Act of 1933.

The facts relied upon to make the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the "Act") available for the sale of securities discussed in paragraphs 6, 7, 8, 9 and 10 were the limited number of purchasers, the sophistication or accreditation of the purchasers, their access to material information, the information furnished to them by Electric City, the absence of any general solicitation or advertising, and restrictions on transfer of the securities issued to them as indicated by a legend on the certificates representing such securities.

Item 5. Indemnification of Directors and Officers.

Electric City's certificate of incorporation and bylaws provide that Electric City may indemnify officers and directors of Electric City or as permitted by Delaware law. Electric City has not as of the date of this registration statement purchased directors and officers liability insurance, however it may do so in the future.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Disclosure Regarding Forward-Looking Statements

This Registration Statement includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, included in this Registration Statement that address activities, events or developments that Electric City Corp. (the "Company" or "Electric City") expects, believes or anticipates will or may occur in the future, future capital costs, the size of various markets, market share, repayment of debt, business strategies, expansion and growth of the Company's operations, Year 2000 issues and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. You are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Item 15. Financial Statements and Exhibits

(a) Index to Financial Statements

Electric City Corp.

F-1	Report of Independent Certified Public Accountants
F-2 - F-3	Balance Sheet as of April 30, 1999
F-4	Statement of Operations for the year ended April 30, 1999
F-5	Statement of Stockholders' Equity for the year ended April 30, 1999
F-6	Statement of Cash Flows for the year ended April 30, 1999
F-8 - F-19	Notes to Financial Statements

Marino Electric Inc.

F-20	Report of Independent Certified Public Accountants
F-21 - F-22	Balance Sheet as of December 31, 1998 and as of April 30, 1999 (Unaudited)
F-23	Statement of Income and Retained Earnings for the year ended December 31, 1998 and the four months ended April 30, 1998 and 1999 (Unaudited)
F-24	Statement of Cash Flows for the year ended December 31, 1998 and the four months ended April 30, 1998 and 1999 (Unaudited)
F-25 - F-27	Notes to Financial Statements

Pro Forma Information

F-28	Pro Forma Financial Statements
F-29	Unaudited Pro Forma Balance Sheet as of April 30, 1999
F-30	Unaudited Pro Forma Statement of Operations for the year ended April 30, 1999
F-31	Notes to Unaudited Pro Forma Financial Statements

PART III

Exhibit Index

Exhibit
Number

2.1	Agreement and Plan of Merger dated June 5, 1998 between the Company and Pice Products Corporation
3.1	Certificate of Incorporation

- 3.2 Bylaws
- 10.1 Sales, Distribution and Patent License Agreement dated January 1, 1998 between Giorgio Reverberi and Joseph C. Marino
- 10.2 Sublicense Agreement dated June 24, 1998 between the Company and Joseph C. Marino

23

- 10.3 Employment Agreement dated as of January 1, 1999 between the Company and Joseph C. Marino
- 10.4 Real Estate Sales Contract dated July 3, 1998 between the Company and the Giovanni Gullo and Mario Gullo Family Limited Partnership
- 10.5 Asset Purchase Agreement dated May 24, 1999 between the Company and Marino Electric, Inc.
- 10.6 Distribution Agreement dated September 7, 1999 between the Company and Electric City of Illinois LLC
- 27.1 Financial Data Schedule as of April 30, 1999
- 99.2 Marino Electric Financial Statements

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the Registrant caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, this 10th day of September, 1999.

ELECTRIC CITY CORP.

Date: September 10, 1999

By: /s/ Joseph C, Marino

Joseph C. Marino
Chief Executive Officer

24

TABLE OF CONTENTS

PART I	2
Items 1. Description of Business	2

Electric City History and Recent Developments	2
Business of Marino Electric	4
Product -The EnergySaver	4
The Market Opportunity	5
Sales and Distribution	6
Marketing	7
Licenses and Trademarks	7
Patents	7
Competition	8
Manufacturing	8
Company Financing	9
Employees	9
Item 2. Plan of Operation	9
Year 2000 Readiness Disclosure	10
Item 3. Description of Property	11
Item 4. Security Ownership of Certain Beneficial Owners and Management.	11
Item 5. Directors, Executive Officers, Promoters and Control Persons	13
Promoter and Control Person	14
Item 6. Executive Compensation	15
Summary Compensation Table	15
Compensation of Other Executive Officers and Directors	15
Option Exercises and Values	15
Long-Term Incentive Plans	16
Employment Contracts	16
Item 7. Certain Relationships and Related Transactions	17
Item 8. Description of Securities	17
PART II	18
Item 1. Market for Common Equity and Related Stockholder Matters.	18
Market Information	18
Item 2. Legal Proceedings	19
Item 3. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	19

Item 4.	Recent Sales of Unregistered Securities	19
Item 5.	Indemnification of Directors and Officers	21
	Disclosure Regarding Forward-Looking Statements	22
Item 15.	Financial Statements and Exhibits	23
	Financial Statements	23
	Index to Financial Statements	23
	PART III	23
	Exhibit Index	23
	SIGNATURES	24

Independent Auditors' Report

Electric City Corporation
(A Development Stage Company)

We have audited the accompanying balance sheet of Electric City Corporation (a development stage company) as of April 30, 1999 and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electric City Corporation (a development stage company) at April 30, 1999, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Chicago, Illinois
June 16, 1999

Electric City Corporation
(A Development Stage Company)

Balance Sheet

April 30,	1999

Assets	
Current Assets	
Cash and equivalents	\$ 484,162
Accounts receivable	118,272
Inventories (Note 3)	459,882
Prepaid expenses (Note 11(d))	213,332

Total Current Assets	1,275,648

Net Property and Equipment (Notes 4, 8 and 11(e))	1,254,967

\$ 2,530,615	
=====	

See accompanying notes to financial statements

Electric City Corporation
(A Development Stage Company)

Balance Sheet

April 30,	1999

Liabilities and Stockholders' Equity	
Current Liabilities	
Notes payable to stockholders (Note 5)	\$ 500,000
Current portion of long-term debt (Note 8)	18,112
Accounts payable	184,160
Accrued expenses (Note 7)	98,172

Total Current Liabilities	800,444

Long-Term Debt, less current portion (Note 8)	770,239

Commitments (Note 10)	

Stockholders' Equity (Notes 6, 11 and 13)	
Preferred stock, \$.01 par value; 5,000,000 shares authorized	-
Common stock, \$.0001 par value; 30,000,000 shares authorized, 12,194,125 issued and outstanding	1,219
Additional paid-in capital	4,898,465
Deficit accumulated during the development stage	(3,939,752)

Total Stockholders' Equity	959,932
	\$ 2,530,615

See accompanying notes to financial statements

F-3

Electric City Corporation
(A Development Stage Company)

Statement of Operations

Year ended April 30,	1999
Revenue	\$ 208,473
Expenses	
Cost of sales	135,000
Selling, general and administrative	4,083,028
Total	4,218,028
Operating Loss	(4,009,555)
Other Income (Expense)	
Interest income	9,054
Interest expense	(59,613)
Total other expense	(50,559)
Net Loss	\$ (4,060,114)
Basic and Diluted Loss Per Common Share	\$ (0.36)
Weighted Average Common Shares Outstanding	11,178,937

See accompanying notes to financial statements

F-4

Electric City Corporation
(A Development Stage Company)

Statement of Stockholders' Equity

<TABLE>
<CAPTION>
Year ended April 30, 1999

	Shares	Member Capital	Common Stock	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Members' Deficit and Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Expenses paid on behalf of the L.L.C	--	\$ 18,679	\$ --	\$ --	\$ --	\$ 18,679
Issuance of common stock for merger into Company	10,000,000	(18,679)	1,000	17,679	--	--
Acquisition of Pice Products Corporation (Note 11)	600,136	--	60	(60)	--	--
Conversion of convertible debt (Note 11)	250,000	--	25	499,975	--	500,000
Issuance of shares for cash (net of offering costs of \$13,023) (Note 11)	675,989	--	68	1,365,111	--	1,365,179
Issuance of shares for purchase of land and building (Note 11)	170,000	--	17	339,983	--	340,000
Issuance of shares and warrants in exchange for services received (Note 11)	498,000	--	49	2,715,850	--	2,715,899
Net loss for the year ended April 30, 1999	--	--	--	--	(4,060,114)	(4,060,114)
Net loss of LLC prior to becoming a corporation	--	--	--	(120,362)	120,362	--
Expenses paid on behalf of the Company	--	--	--	80,289	--	80,289
Balance, April 30, 1999	12,194,125	\$ --	\$ 1,219	\$ 4,898,465	\$ (3,939,752)	\$ 959,932

</TABLE>

See accompanying notes to financial statements

F-5

Electric City Corporation
(A Development Stage Company)

Statement of Cash Flows

Year ended April 30,	1999
Cash Flows From Operating Activities	
Net loss	\$ (4,060,114)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	30,353
Issuance of shares and warrants in exchange for services rendered	2,502,567
Expenses paid on behalf of company	98,968
Changes in assets and liabilities	
Accounts receivable	(118,272)

Inventories	(459,882)
Accounts payable	184,160
Accrued liabilities	98,172

Net cash used in operating activities (1,724,048)

Cash Flows Used in Investing Activities
Purchase of property and equipment (945,320)

Cash Flows Provided by Financing Activities
Proceeds from long-term debt 800,000
Payments on long-term debt (11,649)
Proceeds from stock issuance 1,365,179
Proceeds from loan from stockholders 1,000,000

Net cash provided by financing activities 3,153,530

Net Increase in Cash and Cash Equivalents 484,162

Cash and Cash Equivalents, at beginning of year -

Cash and Cash Equivalents, at end of year \$ 484,162
=====

See accompanying notes to financial statements

F-6

Electric City Corporation
(A Development Stage Company)

Statement of Cash Flows

Year ended April 30, 1999

Supplemental Disclosures of Cash Flow Information

Stock issued in exchange for conversion of loan from stockholders	\$	500,000
Stock issued as partial payment for land and building		340,000
Stock and warrants issued in exchange for services received		2,715,899
Cash paid for interest		44,000

See accompanying notes to financial statements

F-7

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

1. Organization and
Nature of Business

Electric City (the "Company") was formed as a limited liability company (Electric City, L.L.C.) on December 5, 1997 to acquire and commercialize application of a patented technology that reduces the amount of electricity required to power various lighting facilities such as commercial buildings, factories and residential structures. On February 4, 1998, an Operating Agreement ("Operating Agreement") was entered into between Electric City, L.L.C.'s two members, Joseph C. Marino, who subsequently assigned his interest to Pino, L.L.C. ("Pino") and NCVC, L.L.C. ("NCVC"), pursuant to which Electric City, L.L.C. was to actively market this technology in the United States. Prior to May 1, 1998, the LLC was inactive. The Operating Agreement was subsequently amended on May 26, 1998. On June 5, 1998, Electric City, L.L.C. merged with Electric City Corporation, a Delaware corporation. As a result, Electric City Corporation will distribute, manufacture and sell an energy management saving system in the United States under an exclusive license agreement (Note 8).

The Company's activities to date have included raising capital, developing prototypes, installing test systems at test sites in the United States and the limited sales of systems.

2. Summary of Significant
Accounting Policies

Cash and Cash
Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are stated at the lower of FIFO cost or market.

Property and
Equipment

Property and equipment are stated at cost. For financial reporting purposes depreciation is computed over the estimated useful lives of the assets by the straight-line method over the following lives.

Buildings	39 years
Computer equipment	3 years
Furniture	5 years
Shop equipment	7 years

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

Revenue Recognition	Revenue is recognized upon transfer of ownership. Service revenue is recognized at the time the related services are provided.
Research and Development Costs	Research and development costs are charged to operations when incurred and are included in selling, general and administrative expenses. Total research and development costs charged to operations were \$1,923,000.
Marketing and Promotional Costs	Marketing and promotional costs incurred by the Company are expensed as incurred.
Organizational Costs	The Company incurred organizational costs upon incorporation of both Electric City, L.L.C. and Electric City Corp. These costs consisted of legal and filing costs for the entities and were expensed as incurred, in accordance with (AICPA) Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities."
Income Taxes	Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable earnings. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.
Use of Estimates	The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Loss Per Share	The Company computes loss per share under Statement of Financial Accounting Standard No. 128 "Earnings Per Share". The statement requires presentation of two amounts, basic and diluted loss per share. Basic loss per share is computed by dividing loss available to common stockholders by the weighted average common shares outstanding. Dilutive earnings per share would include all common stock equivalents. The Company has not included the outstanding options or warrants as common stock equivalents because the effect would be antidilutive.
--------------------	---

The members' capital was converted into 10,000,000 shares of common stock at the

merger date. The shares have been treated as if they have been outstanding since inception for purposes of computing net loss per share.

Recent Accounting
Pronouncements

In April 1998, the Accounting Standards Executive Committee issued Statement of Position ("SOP") 98-5 "Reporting on the Costs of Start-up Activities." The SOP requires that all costs of start-up activities should be expensed as incurred. The SOP is effective for years beginning after December 15, 1998. The Company early adopted this SOP.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard establishes accounting and reporting standards for derivative instruments and for hedging contracts. This standard is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. When the Company adopts this statement, it is not expected to have a material impact on the Company's financial statements or their presentation.

3. Inventories Inventories consist of the following:

April 30,	1999
Raw materials	\$ 117,850
Work in process	75,978
Finished goods	266,054
	\$ 459,882

F-10

4. Property and
Equipment

Property and equipment at April 30, 1999 are summarized as follows:

Land	\$ 205,000
Building	935,000
Furniture	54,588
Computer equipment	21,608
Autos	69,124
	1,285,320
Less accumulated depreciation	30,353
	\$ 1,254,967

5. Operating Agreement

On February 4, 1998, Joseph C. Marino ("Controlling Member") and NCV ("Other Member") entered into an Operating Agreement subsequently amended on May 26, 1998, commencing operations of the development stage company (Electric City, L.L.C.). Under the terms and subject to the conditions set forth in the Operating Agreement, the Other Member agreed to loan the Company \$500,000 to meet operating cash needs of the Company and to secure a letter of credit with a financial institution for \$500,000. The Controlling Member, in exchange, assigned its rights under a Sales, Distribution and Patent License Agreement ("License Agreement") (Note

8) to the Company. No value was assigned for the assignment of the License Agreement or the securing of the letter of credit. The letter of credit was retired by the Other Member's payment of \$250,000 to the Controlling Member, who will obtain and surrender the letter of credit to the Other Member and the financial institution. Upon completion of this transaction, each member had a further obligation to loan the Company up to \$250,000 each on an as-needed basis. As of April 30, 1999, loans under this arrangement totaled \$500,000. These loans bear interest at 9% and are payable on demand. Accrued interest on this debt is approximately \$16,000 at April 30, 1999.

F-11

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

Additionally, pursuant to the Operating Agreement, the Other Member was obligated to bring the Company to the status of a publicly traded company on the Over-The-Counter Bulletin Board ("OTC").

The Operating Agreement also requires the Other Member to indemnify the Controlling Member in every manner necessary as it relates to the public registration.

6. Merger Agreement

On June 5, 1998, upon the merger of Electric City, L.L.C. into Electric City Corporation, the Controlling Member and Other Member became the controlling stockholder and significant minority stockholder, respectively, and their respective obligations under the Operating Agreement transferred and continue to be obligations.

7. Accrued Expenses

Accrued expenses consist of the following:

Compensation	\$ 7,042
Interest	15,914
Real estate taxes	11,950
Professional fees	47,730
Other	15,536

	\$ 98,172
=====	

F-12

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

8. Long-Term Debt Long-term debt consists of the following at April 30, 1999.

Mortgage note to CIB Bank, 8.25%, payable in monthly principal and interest installments of \$6,876 until August 2003. A final payment of \$710,000 is due in August 2003. Collateralized by the building and land.	\$ 788,351
Less current portion	18,112

	\$ 770,239
=====	

The aggregate amounts of long-term debt maturing in each of the next five years are as follows:

2000	\$ 18,112
2001	19,664
2002	21,350
2003	23,178
2004	706,047

	\$ 788,351
=====	

9. Income Taxes The composition of income tax expense (benefit) is as follows:

Current	
Federal	\$ (1,284,000)
State	(226,000)
Adjustment to valuation allowance	1,510,000

Total income tax expense (benefit)	\$ -
=====	

F-13

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

Deferred income taxes consist of the following:

<TABLE>
<CAPTION>

<S>

Total deferred tax assets, relating principally to net operating loss carryforwards	\$ 1,510,000
Deferred tax liabilities	-

<C>

	1,510,000
Less valuation allowance	(1,510,000)

Total net deferred tax asset	\$ -
=====	

</TABLE>

The Company has recorded a valuation allowance equaling the deferred tax asset due to the uncertainty of its realization in the future. At April 30, 1999, the Company has a U.S. federal net operating loss carryforward available to offset future taxable income of approximately \$3,860,000 which expires in fiscal 2019.

The reconciliation of income tax expense (benefit) to the amount computed by applying the federal statutory rate is as follows:

Income tax (benefit)	
at federal statutory rate	\$ (1,364,000)
State taxes	(193,000)
Tax benefit of loss prior to conversion from L.L.C. to "C" corporation	47,000
Increase in valuation allowance	1,510,000

Income tax expense (benefit)	\$ -
=====	

F-14

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

10. License and Employment Agreements

Pursuant to the License Agreement dated January 1, 1998 between Giorgio Reverberi ("Reverberi"), the owner of the patent, and Joseph Marino, Chairman and CEO of Electric City L.L.C. (who assigned the rights to Company), the Company agrees to pay Reverberi a royalty of \$300 for each product unit made by or for the Company and sold by the Company. The term of the License Agreement is until December 31, 2007, with automatic renewal available until December 31, 2017, unless written termination is provided by either party of the License Agreement no less than 90 days prior to the automatic renewal date. The Company has accrued \$7,800 at April 30, 1999.

In January 1999, the Company entered into an employment agreement with its Chairman and CEO for a period of four years. The agreement requires an annual salary of \$225,000 beginning in June 1999.

11. Equity Transaction

- a) On June 5, 1998, the Company acquired Pice Products Corporation ("Pice"), a nonoperating company. In this transaction, 600,136 common shares of the Company were issued to the Pice stockholders in return for all of the outstanding shares of Pice. The purpose of this merger was to enable the Company to position itself for status as a public corporation.
- b) As part of the original Operating Agreement (Note 4), the Other Member agreed to loan amounts to the Company up to \$500,000 to meet cash needs prior to the private placement offering in June 1998. These loans did not bear interest. In June 1998, based on the estimated fair market value price of \$2 per share, the outstanding balance of \$500,000 was converted into 250,000 shares of the Company's common stock.

F-15

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

- c) On June 11, 1998, the Company issued 470,000 shares of common stock in connection with a private offering in accordance with Regulation D, Section 504 of the Securities Exchange Commission's 1933 Act (250,000 upon conversion of loans described above). As a result of this offering, the Company generated \$440,000 of cash less offering costs of \$13,023 through the sale of 220,000 shares of common stock at the estimated fair market value price of \$2 per share.
- In addition, the Company sold 455,989 shares of common stock for a total of \$938,202 in February and March 1999. These shares were sold at approximately \$2 per share. During this time period, the fair market value of the stock (current trading price on the "OTC") ranged from \$5.13 per share to \$6.38 per share.
- d) In August 1998, the Company purchased a building for \$800,000 cash which was satisfied by a first mortgage and 170,000 shares of the Company's common stock, valued at \$2 per share based on the estimated fair market value of the common stock.
- e) In April 1999, the Company issued 498,000 shares and 100,000 warrants of common stock in exchange for consulting services rendered. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value for the stock issued (current price of the common stock on the "OTC") which ranged from \$4.18 to \$5.61. Approximately

\$2,503,000 has been charged to operations. \$213,332 has been classified as a prepaid expense as this amount represents payment for services to be provided in the future.

- f) At April 30, 1999, the Company had outstanding warrants to purchase 100,000 shares of the Company's common stock at an exercise price of \$4 per share. These warrants expire in February 2002.

F-16

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

12. Stock Options

The Company's Chairman and CEO were granted options as part of an employment agreement to acquire 450,000 shares of common stock at \$3.50 each. These options vest ratably over the four-year term of the employment agreements and expire in December 2008.

In June 1998, both NCVC and Pino were granted options to purchase 1,000,000 shares of common stock each at an exercise price of \$2.20 per share. These options will vest in January 2000 if the Company's closing stock price exceeds \$10 per share on any 20 consecutive trading days. Subsequent to year end, the Company's closing stock price exceeded \$10 per share for 20 consecutive trading days. These options expire in June 2008.

In January 1999, certain employees were granted options to purchase 152,000 shares of common stock at an exercise price ranging from \$3.50 to \$7.00. 75,000 options vested upon the signing of the agreements and 77,000 will vest in fiscal 2000. These options expire in periods from December 2008 through March 2009.

The following table summarizes the options granted, exercised and outstanding under the plans:

<TABLE>
<CAPTION>

	Shares	Exercise Price Per Share	Weighted Average Exercise Price
Outstanding at May 1, 1998	<C>	<C>	<C>
Granted	2,602,000	\$2.20 - \$7.00	\$2.50
Exercised	-	-	-
Outstanding at April 30, 1999	2,602,000	\$2.20 - \$7.00	\$2.50
Options exercisable at April 30, 1999	75,000	\$3.50	\$3.50

</TABLE>

The Company applies APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for options.

Under APB Opinion 25, because the exercise price of the options equals the market price of the underlying stock on the measurement date, no compensation expense is recognized.

F-17

Electric City Corporation
(A Development Stage Company)

Notes to Financial Statements

The weighted-average, grant-date fair value of stock options granted to employees during the year, and the weighted-average significant assumptions used to determine those fair values, using a modified Black-Sholes option pricing model, and the proforma effect on earnings of the fair value accounting for stock options under Statement of Financial Accounting Standards No. 123 are as follows:

<TABLE>
<CAPTION>

<S>	Weighted average fair value per options granted	<C> \$1.27
	Significant assumptions (weighted average)	
	Risk-free interest rate at grant date	5.21%
	Expected stock price volatility	55%
	Expected dividend payout	-
	Expected option life (years)	4.10
	Net loss	
	As reported	(4,060,000)
	Proforma	(7,200,000)
	Net loss per share	
	As reported	(.36)
	Proforma	(.64)

</TABLE>

The following table summarizes information about stock options outstanding at April 30, 1999

<TABLE>
<CAPTION>

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding at April 30, 1999	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at April 30, 1999	Weighted Average Exercise Price
<C>	<C>	<C>	<C>		
\$2.20	2,000,000	9.16 years	2.20	-	N/A
\$3.50	600,000	9.75 years	3.50	75,000	3.50
\$7.00	2,000	9.92 years	7.00	-	N/A
	2,602,000	9.30 years	2.50	75,000	3.50

</TABLE>

F-18

13. Related Parties During the year ended April 30, 1999, the Company paid approximately \$165,000 to Marino Electric, Inc. for goods purchased and services rendered. Marino Electric, Inc. is owned by an officer and stockholder of the Company.

14. Financial Instruments The carrying amounts reported in the balance sheet for cash, accounts receivable, accounts payable and accrued expenses approximates fair value because of the short-term nature of these amounts. The Company's long-term debt approximates fair value based on instruments with similar terms.

15. Commitments In April 1999, the Company entered into a consulting agreement beginning in May for an initial six-month period. Under the agreement, the Company is to receive financial and promotional consulting services. The agreement provides for payment of specified shares of the Company's common stock if the Company agrees to work with the market maker introduced to them and additional shares upon the completion of certain other services.

The above shares, as well as other shares to be paid for services, will be valued at the fair market value of the stock as the services are performed.

16. Subsequent Event (Unaudited) (a) In January 1999, the Company agreed, subject to an appraisal to acquire certain assets of Marino Electric, Inc., from Joseph Marino, a related party, for \$1,792,000 in cash and 800,000 shares (\$1,600,000) of the Company's common stock. The closing took place effective May 24, 1999. As Mr. Marino owns less than 50% of the common stock of the Company, the transaction will be accounted for by purchase accounting. The purchase price of \$3,392,000 exceeded the fair value of the assets acquired by approximately \$2,909,000, which will be amortized on a straight-line basis over 10 years.

The summarized unaudited pro forma results of operations set forth for the year ended April 30, 1999 assume the acquisition occurred as of the beginning of the year.

	(Unaudited)
Net sales	\$ 3,179,000
Net loss	(4,027,000)
Pro forma net loss per share	\$ (.34)

(b) Subsequent to year end, the Company effected a 2-for-1 stock split. The share and per share amounts have been adjusted to reflect this split. Pro forma basic and diluted loss per common share would be (.18) after the split.

We have audited the accompanying balance sheet of Marino Electric, Inc. as of December 31, 1998 and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marino Electric, Inc. at December 31, 1998, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

BDO Seidman, LLP

Chicago, Illinois
August 30, 1999

F-20

Marino Electric, Inc.

Balance Sheet

<TABLE>
<CAPTION>

	December 31, 1998	April 30, 1999
		(Unaudited)
Assets		
Current Assets		
<S>	<C>	<C>
Cash and cash equivalents	\$ 246,359	\$ 444,198
Accounts receivable (net of allowance for doubtful accounts of \$182,000) (Note 6)	556,251	559,808
Inventories (Note 2)	227,580	291,130
<hr/>		
Total Current Assets	1,030,190	1,295,136
<hr/>		
Property and Equipment (Note 2)		
Shop equipment	160,942	160,942
Transportation and other equipment	154,987	156,517
<hr/>		
	315,929	317,459
Accumulated depreciation	(71,985)	(85,599)
<hr/>		

Net Property and Equipment	243,944	231,860
----------------------------	---------	---------

	\$ 1,274,134	\$ 1,526,996
--	--------------	--------------

</TABLE>

F-21

Marino Electric, Inc.

Balance Sheet

<TABLE>
<CAPTION>

	December 31, 1998	April 30, 1999
--	----------------------	-------------------

(Unaudited)

Liabilities and Stockholder's Equity

Current Liabilities

<S>	<C>	<C>
Loan payable to stockholder (Note 3)	\$ 228,114	\$ 228,114
Bank note payable (Note 4)	39,893	34,170
Accounts payable	51,113	139,883
Accrued expenses	178,132	281,688
Deferred tax liability (Note 5)	194,500	149,500

Total Current Liabilities	691,752	833,355
---------------------------	---------	---------

Commitments

Stockholder's Equity

Common stock, \$1.00 par value; 10,000 shares authorized, 1,000 issued and outstanding	1,000	1,000
Additional paid-in capital	61,500	61,500
Retained earnings	519,882	631,141

Total Stockholder's Equity	582,382	693,641
----------------------------	---------	---------

	\$ 1,274,134	\$ 1,526,996
--	--------------	--------------

</TABLE>

See accompanying notes to financial statements.

F-22

Marino Electric, Inc.

Statement of Operations and Retained Earnings

<TABLE>
<CAPTION>

Four months ended

Year ended December 31, 1998	April 30, 1999	April 30, 1998
------------------------------------	-------------------	-------------------

		(Unaudited)	(Unaudited)
<S>	<C>	<C>	<C>
Revenue (Note 6)	\$ 3,017,087	\$ 823,796	\$ 705,391

Expenses			
Cost of sales	1,689,905	366,549	540,961
Selling, general and administrative	1,234,826	289,195	322,267

Total	2,924,731	655,744	863,228

Operating Income (Loss)	92,356	168,052	(157,837)

Other Income (Expense)			
Interest income	11,539	1,569	2,926
Interest expense	(16,711)	(3,362)	(8,112)

Total other expense	(5,172)	(1,793)	(5,186)

Income (loss) before income taxes (benefit)	87,184	166,259	(163,023)
Taxes (Benefit) on Income (Note 5)	22,000	55,000	(46,850)

Net Income (Loss)	65,184	111,259	(116,173)
Retained Earnings, at beginning of period	454,698	519,882	454,698

Retained Earnings, at end of period	\$ 519,882	\$ 631,141	\$ 338,525

</TABLE>

See accompanying notes to financial statements.

F-23

Marino Electric, Inc.

Statement of Cash Flows

		Four months ended	
<S>	<C>	<C>	<C>
		Year ended December 31, 1998	April 30, 1999 April 30, 1998
		(Unaudited)	(Unaudited)

Cash Flows From Operating Activities			
Net income (loss)	\$ 65,184	\$ 111,259	\$ (116,173)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	40,841	13,614	10,380
Decrease in deferred tax liability	(95,000)	(45,000)	(48,850)
Change in allowance for doubtful accounts	154,000	-	-
Changes in assets and liabilities			
Accounts receivable	73,902	(3,557)	163,742
Inventories	(147,580)	(63,550)	-
Accounts payable	(66,096)	88,770	12,486
Accrued liabilities	144,785	103,556	12,383

Net cash provided by operating activities	170,036	205,092	33,968

Cash Flows Used in Investing Activities			
Purchase of property and equipment	(48,487)	(1,530)	-

Cash Flows Used in Financing Activities			
Repayment of bank debt	(22,653)	(5,723)	(4,000)
Payment on stockholder loan	(100,000)	-	-

Net cash used in financing activities	(122,653)	(5,723)	(4,000)

Net (Decrease) Increase in Cash and Cash Equivalents	(1,104)	197,839	29,968
Cash and Cash Equivalents, at beginning of period	247,463	246,359	247,463

Cash and Cash Equivalents, at end of period	\$ 246,359	\$ 444,198	\$ 277,431
=====			

</TABLE>

See accompanying notes to financial statements.

F-24

Marino Electric, Inc.

Notes to Financial Statements (Information as of
April 30, 1999 and for the four months ended
April 30, 1999 and 1998 is unaudited)

1. Nature of Business

Marino Electric, Inc. ("Marino") is a designer and manufacturer of custom electrical switching gear and distribution panels which serve to distribute electricity from a building's principal power source to the various electric switches within a building. Marino's principal customers are located in the metropolitan Chicagoland area.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories Inventories, principally raw material components, are stated at the lower of average cost or market.

Property and Equipment Property and equipment are stated at cost. For financial reporting purposes, depreciation is computed over the estimated useful lives of the assets by the straight-line method over the following lives:

Shop equipment	10 years
Transportation equipment	5 years
Other	10 years

Revenue Recognition Revenue is recognized upon transfer of ownership. Service revenue is recognized at the time the related services are provided.

Income Taxes The Company follows the asset and liability method which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax basis and financial reporting basis of assets and liabilities.

Marino Electric, Inc.

Notes to Financial Statements (Information as of April 30, 1999 and for the four months ended April 30, 1999 and 1998 is unaudited)

Concentration of Credit Risk	Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash instruments and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions. The Company provides credit in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses.
Use of Estimates	The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Interim Financial Statements	The financial information as of April 30, 1999 and with respect to the four months ended April 30, 1999 and 1998 is unaudited. In the opinion of management, the financial statements contain all adjustments consisting of normal recurring accruals necessary for the fair presentation of the results for such periods. The information is not necessarily indicative of the results of operations to be expected for the fiscal year end.
3. Loans Payable to Stockholder	The balance represents amounts due the sole stockholder of the Company. The amounts are noninterest bearing and payable on demand.
4. Bank Note Payable	The Company has an equipment loan, payable in monthly installments of \$3,028 including interest through August 1999, with a balloon payment of approximately \$20,000 in September 1999. Interest is computed at the Bank's prime rate plus 1% (8.75% at December 31, 1998).

Marino Electric, Inc.

Notes to Financial Statements (Information as of April 30, 1999 and for the four months ended April 30, 1999 and 1998 is unaudited)

5. Income Taxes	Income taxes (benefit) in the statement of
-----------------	--

income are comprised of the following:

<TABLE>
<CAPTION>

	Four months ended		
	Year ended December 31, 1998	April 30, 1998	April 30, 1998
Current	\$ 117,000	\$ 100,000	\$ 2,000
Deferred	(95,000)	(45,000)	(48,650)
Total taxes (benefit) on income	\$ 22,000	\$ 55,000	\$ (46,650)

</TABLE>

The deferred tax liability recorded on the balance sheet is comprised of the following:

<TABLE>
<CAPTION>

	Year ended December 31, 1998	Four months ended April 30, 1998
Differences in cash/accrual method of accounting	\$ 194,500	\$ 149,500
Total	\$ 194,500	\$ 149,500

</TABLE>

6. Significant Customer One customer accounted for 11.0% of sales in the year ended December 31, 1998. Receivables from this customer represented 19.0% of total receivables at December 31, 1998.
7. Related Party Transactions During the year ended December 31, 1998, the Company sold approximately \$219,500 of goods sold to Electric City Corp. The sole stockholder of the Company is a significant stockholder of Electric City Corp.
8. Sale of Assets In January 1999, the Company agreed, subject to an appraisal, to sell certain assets to Electric City Corp., a related entity, for \$1,792,000 in cash and 800,000 shares of stock. The closing took place effective May 24, 1999.

F-27

Electric City Corp.
Proforma Financial Statements

The following unaudited proforma balance sheet as of April 30, 1999 and statement of operations for the year ended April 30, 1999 of Electric City Corp. (the "Company") gives effect to the acquisition of certain assets of Marino Electric, Inc. which was made as of May 24, 1999. The acquisition was accounted for using the purchase method of accounting. Accordingly, the results of operations of the acquired assets will be included in Electric City Corp.'s results only from the acquisition date. The unaudited proforma balance sheet has been prepared as if the acquisition occurred on April 30, 1999 and the unaudited proforma statement of operations has been prepared as if the acquisition occurred on May 1, 1998 and are based on historical financial statements of Electric City Corp. and Marino Electric, Inc. from May 1, 1998 through April 30, 1999.

The purchase method of accounting has been used in preparation of the unaudited proforma financial statements. Under this method of accounting, the aggregate purchase price is allocated to assets acquired based on their estimated fair values. For purposes of the unaudited proforma financial statements, the purchase price has been allocated based primarily on the information furnished by management. The final allocation of the purchase price of the assets acquired will be determined in a reasonable time after consummation of the transaction and will be based on a complete evaluation of the assets acquired. Accordingly, the information presented herein may differ from the final purchase price allocation; however, such allocation is not expected to differ materially from the preliminary amounts.

In the opinion of the Company's management, all adjustments have been made that are necessary to present fairly the proforma data.

The unaudited proforma financial statements should be read in conjunction with the respective financial statements and related notes included elsewhere in this registration statement. The unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the results of operations or financial position that would have been achieved had the transaction reflected therein been consummated as of the date indicated, or of the results of operations or financial position for any future periods or dates.

F-28

Electric City Corp.

Unaudited Proforma Balance Sheet
April 30, 1999

<TABLE>
<CAPTION>

	Company Historical April 30, 1999	Acquisition of Certain Assets of Marino Electric, Inc.	Company Proforma
Assets			
Current Assets			
<S> Cash and equivalents	<C> \$ 484,162	<C> \$ -	<C> \$ 484,162
Accounts receivable, net	118,272	-	118,272
Inventories	459,882	292,000 (1)	751,882
Prepaid expenses	213,332	-	213,332
Total Current Assets	1,275,648	292,000	1,567,648
Property, Plant and Equipment	1,254,967	191,000 (1)	1,445,967
Intangible Asset	-	2,909,000 (1)	2,909,000
Total Assets	\$ 2,530,615	\$ 3,392,000	\$ 5,922,615
Liabilities and Stockholders' Equity			
Current Liabilities			
Due to seller	\$ -	\$ 1,792,000 (1)	\$ 1,792,000
Notes payable to stockholders	500,000	-	500,000
Current portion of debt	18,112	-	18,112
Accounts payable	184,160	-	184,160
Accrued expenses	98,172	-	98,172
Total Current Liabilities	800,444	1,792,000	2,592,444
Long-Term Debt	770,239	-	770,239

Stockholders' Equity			
Common stock	1,219	80(1)	1,299
Additional paid-in capital	4,898,465	1,599,920(1)	6,498,385
Deficit	(3,939,752)	-	(3,939,752)

Total Stockholders' Equity	959,932	1,600,000	2,559,932

Total Liabilities and Stockholders' Equity	\$ 2,530,615	\$ 3,392,000	\$ 5,922,615
=====			

</TABLE>

See accompanying note to unaudited proforma financial statements.

F-29

Electric City Corp.

Unaudited Proforma Statement of Operations
Year Ended April 30, 1999

<TABLE>
<CAPTION>

	Company Historical April 30, 1999	Marino Electric, Inc.	Proforma Increase (Decrease)	Proforma
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 208,473	\$ 3,135,492	\$ (165,000) (1)	\$ 3,178,965

Expenses				
Cost of selling	135,000	1,515,493	(73,000) (1)	1,577,493
Selling, general and administrative	4,083,028	1,201,754	-	5,284,782
Amortization of goodwill	-	-	290,900(1)	290,900
Interest expense, net	50,559	1,779	-	52,338

Total expenses	4,268,587	2,719,026	217,900	7,205,513
Taxes on income	-	123,850	(123,850) (1)	-

Net (Loss) Income	\$ (4,060,114)	\$ 292,616	\$ (259,050)	\$ (4,026,548)
=====				
Weighted Average Common Shares Outstanding	11,178,937	-	800,000(1)	11,978,937
=====				
Basic and Diluted Loss Per Common Share Outstanding	\$ (0.36)	-	-	\$ (0.34)
=====				

</TABLE>

See accompanying note to unaudited proforma financial statements.

F-30

Electric City Corp.
Note to Unaudited Proforma Financial Statements

Note 1 - Marino Electric, Inc.

Effective May 24, 1999, the Company acquired certain assets of Marino Electric,

Inc. ("Marino") (inventories and shop and transportation equipment). Marino's principal business is the design and manufacture of custom electric switching gear and distribution panels which serve to distribute electricity from a building's principal power source to various switches within the building. Marino's customers are primarily located in the metropolitan Chicagoland area. The acquisition was consummated for \$1,792,000 in cash and 800,000 shares of Electric City Corp.'s common stock with a fair value of \$1,600,000.

The transaction was recorded under the purchase method of accounting. The total cost of the acquisition was approximately \$3,392,000, which exceeded the fair value of the assets acquired by approximately \$2,909,000. Cost in excess will be amortized over a 10-year period.

Proforma adjustments related to the acquisition included the following:

- o Elimination of \$165,000 of sales from Marino to Electric City Corp.
- o Amortization of the cost in excess of fair value of net assets acquired of \$290,900 based on a life of 10 years.
- o Elimination of tax expense on Marino.
- o The cash portion (\$1,792,000) of the purchase price has been reflected as due to seller at April 30, 1999.

EXHIBIT 2.1

THIS AGREEMENT AND PLAN OF MERCER (hereinafter called the "Merger Agreement") is made effective as of June 5, 1998, by and between Electric City Corp., a Delaware corporation ("Electric"), and Pice Products Corp., a Delaware corporation ("Pice"). Electric and Pice are sometimes referred to as the "Constituent Corporations", with reference to the following facts:

A. The authorized capital stock of Electric consists of thirty million (30,000,000) shares of \$.0001 par value common stock and five million (5,000,000) shares of preferred stock. The authorized capital stock of Pice consists of twenty million (20,000,000) shares of common stock, \$.001 par value.

B. There are currently 10,000,000 shares of stock of Electric outstanding.

C. Pice has no subsidiaries, and has a total of 8,180,900 shares of \$.001 par value common stock issued and outstanding, and there are no options or other rights to acquire any newly issued shares available to any person.

D. The directors of the Constituent Corporations deem it advisable and to the advantage of such corporations that Pice merge into Electric upon the terms and conditions herein provided.

NOW, THEREFORE, the parties do hereby adopt the plan of merger encompassed by this Merger Agreement and do hereby agree that Pice shall merge with and into Electric on the following terms, conditions, and other provisions:

1. TERMS AND CONDITIONS

1.1 Merger. Pice shall be merged with and into Electric (the "Merger"), and Electric shall be the surviving corporation (the "Surviving Corporation") effective upon the date when this Merger Agreement or a Certificate of Merger is filed with the Secretary of State of Delaware (the "Effective Date").

1.2 Succession. On the Effective Date, Electric shall continue its corporate existence under the laws of the State of Delaware, and the separate existence and corporate organization of Pice, except insofar as it may be continued by operation of law, shall be terminated and cease.

1.3 Transfer of Assets and Liabilities. On the Effective Date, the rights, privileges, powers and franchises, both of a public as well as of a private nature, of each of the Constituent Corporations shall be vested in and possessed by the Surviving Corporation, subject to all of the disabilities, duties and restrictions of or upon each of the Constituent Corporations; and all singular rights, privileges, powers and franchises of each of the Constituent

Corporations, and all property, real, personal and mixed, of each of the Constituent Corporations, and all debts due to each of the Constituent Corporations on whatever account, and all things in action or belonging to each

1

of the Constituent Corporations shall be transferred to and vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest, shall be thereafter the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger; provided, however, that the liabilities of the Constituent Corporations and of their stockholders, directors and officers shall not be affected and all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and any claim existing or action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgments as if the Merger had not taken place except as they may be modified with the consent of such creditors and all debts, liabilities and duties of or upon each of the Constituent Corporations shall attach to the Surviving Corporation, and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

1.4 Manner of Accomplishing Merger. The Merger shall be accomplished by way of the exchange of 100% (8,180,900 shares) of the issued and outstanding shares of Pice for common stock of Electric, at the ratio of one share of Electric for each 13.635 shares of Pice outstanding on the Effective Date of the Merger (1 for 13.635). The transfer agent will automatically be instructed to issue new certificates of Electric, based on the above ratio, to each of the shareholders of Pice, at the address listed in the register of Pice shareholders. No fractional shares will be issued, but each fractional share will be rounded up to the next share and a certificate for Electric will be issued to each record holder of Pice accordingly. The exchange will be accomplished pursuant to an exemption from registration provided by Regulation D. Section 504 in each state where said exemption or a registration of the issuance can be accomplished. In each state where an exemption from registration is not available pursuant to Rule 504 of Regulation D or some other available exemption from registration which can be reasonably complied with, Electric shall issue cash in lieu of the exchanged securities of Pice at \$.01 per share exchanged.

1.5 Rights of Appraisal. This Merger shall be subject to the rights of appraisal granted to the shareholders of Pice in accordance with the General

Corporation Law of the State of Delaware. Should more than ten percent (10%) of the shareholders of Pice, regardless of the number of shares owned, seek to enforce their rights of appraisal, Electric at its sole option may terminate this Agreement and all parties relieved of any obligation pursuant to this Agreement. The Board of Directors of Electric and the shareholders of Electric have already approved the Merger.

1.6 Obligations of Pice Not to Issue its Securities. As of the date of this Merger Agreement and until the date of closing, Pice shall not issue any additional shares of its common stock to any person or entity whatsoever, including as a result of having previously issued any warrants to acquire common stock, any options to acquire its securities as a result of any employee stock option plan or otherwise, or pursuant to any employee benefit plan. Pice further represents that the capitalization, as set forth in paragraph C of the preamble to this Agreement, is true and accurate in all respects

2. CHARTER DOCUMENTS, DIRECTORS AND OFFICERS

2.1 Certificate of Incorporation and Bylaws. The Certificate of Incorporation of Electric in effect on the Effective Date shall continue to be the Certificate of Incorporation of the Surviving Corporation. The Bylaws of Electric shall be the Bylaws of the Surviving Corporation, as they may be amended from time to time.

2.2 Directors. The directors of Electric immediately preceding the Effective Date shall become the directors of the Surviving Corporation on and after the Effective Date to serve until the expiration of their terms and until their successors are elected and qualified.

2.3 Officers. The officers of Electric immediately preceding the Effective Date shall become the officers of the Surviving Corporation on and after the Effective Date to serve at the pleasure of its Board of Directors.

3. MISCELLANEOUS

3.1 Further Assurances. From time to time, and when required by the Surviving Corporation or by its successors and assigns, there shall be executed and delivered on behalf of Pice such deeds and other instruments, and there shall be taken or caused to be taken by it such further and other action as shall be appropriate or necessary in order to vest or perfect in of to conform of record or otherwise, in the Surviving Corporation the title to and possession of all the property, interests, assets, rights, privileges, immunities, powers, franchises and authority of Pice and otherwise to carry out the purposes of this

Merger Agreement, and the officers and directors of the Surviving Corporation are fully authorized in the name and on behalf of Pice or otherwise to take any and all such action and to execute and deliver any and all such deeds and other instruments.

3.2 Amendment. At any time before or after approval by the stockholders of Pice, this Merger Agreement may be amended in any manner (except that, after the approval of the Merger Agreement by the stockholders of Pice, the principal terms may not be amended without the further approval of the stockholders of Pice) as may be determined in the judgment of the respective Board of Directors of Electric and Pice to be necessary, desirable, or expedient in order to clarify the intention or the parties hereto or to effect or facilitate the purpose and intent of this Merger Agreement.

3.3 Conditions to Merger. The obligation of the Constituent Corporations to effect the transactions contemplated hereby is subject to satisfaction of the following conditions (any or all of which may be waived by either of the Constituent Corporations in its sole discretion to the extent permitted by law):

3

(a) the Merger shall have been approved by the stockholders of Pice in accordance with applicable provisions of the General Corporation Law of the State of Delaware; and

(b) any and all consents, permits, authorizations, approvals, and orders deemed in the sole discretion of Pice to be material to consummation of the Merger shall have been obtained; and

(c) the securities issued by Electric shall be issued pursuant to an exemption from registration pursuant to the Securities Act of 1933 (as amended), Regulation D, Section 504, and the shareholders who reside in certain states which comport with said Regulation D, Section 504, or other tandem exemptions from registration, may receive unrestricted securities in exchange for the securities of Pice and

(d) an audit of the books and records of Pice, conducted in accordance with generally accepted accounting practices, shall have been delivered to and approved by Electric; and

(e) any other requirements under applicable Delaware law shall have been satisfied in connection with the Merger.

3.4 Abandonment or Deferral. At any time before the Effective Date, this Merger Agreement may be terminated and the Merger may be abandoned by the Board of Directors of either Pice or Electric or both, notwithstanding the approval of the Merger by the stockholders of Pice or Electric, or the consummation of the Merger may be deferred for a reasonable period of time if, in the opinion of the Boards of Directors of Pice and Electric, such action would be in the best interest of such corporations. In the event of termination of this Merger Agreement, this Merger Agreement shall become void and of no effect and there shall be no liability on the part of either Constituent Corporation or its Board of Directors or stockholders with respect thereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

3.5 Counterparts. In order to facilitate the filing and recording of this Merger Agreement, the same may be executed in any number of counterparts, each of which shall be deemed to be an original.

IN WITNESS WHERE OF, this Merger Agreement, having first been duly approved by the Board of Directors of Pice and Electric, is hereby executed on behalf of cash said corporation and attested by their respective officers thereunto duly authorized.

PICE PRODUCTS CORP.,
a Delaware corporation

By: /s/John B. Longman

ATTEST: John B. Longman, Sole Director

Secretary

ELECTRIC CITY CORP.,
a Delaware corporation

By: /s/Joseph C, Marino

ATTEST: Joseph C, Marino, Chairman and
Chief Executive Officer

Secretary

5

CONSENT
OF
DIRECTORS OF

ELECTRIC CITY CORP.

The undersigned, being all of the directors of Electric City Corp. (the "Company"), hereby consent to the adoption of the following resolutions as the actions of the Company:

RESOLVED, that the terms and conditions or the Agreement. and Plan of Merger between the Company and Pice Products Corp. dated effective as of _____, 1998, a copy of which is attached to this Consent, is hereby approved and deemed to be in the best interests of the Company, and;

FURTHER RESOLVED, that the officers of the Company are hereby directed to take all action deemed necessary to carry out the Agreement and Plan of Merger upon receipt of all the requisite approvals, including but not limited to the appointment of a transfer agent, preparation of all necessary state and federal filings to register the shares and/or to obtain exemptions from registration for such shares and the issuance of the shares as required by the Agreement and Plan of Merger.

Dated: Effective as of _____, 1998.

ELECTRIC CITY CORP.,
a Delaware Corporation

Joseph C. Marino, Director

Director

Director

UNANIMOUS CONSENT
OF
SHAREHOLDERS OF
ELECTRIC CITY CORP.

The undersigned, being all of the shareholders of Electric City Corp. (the "Company"), hereby consent to the adoption of the following:

1. The Agreement and Plan of Merger between the Company and Pice Products Corp. dated effective as of June ____, 1998, a copy of which is attached to this Consent, is hereby approved, confirmed and ratified in all respects.

Dated: Effective as of June ____, 1998.

ELECTRIC CITY CORP.,
a Delaware Corporation

PINO MANUFACTURING L.L.C.

By: _____

Its: _____

NLCVC L.L.C.

By: _____

Its: _____

NOTICE TO SHAREHOLDERS
OF
PICE PRODUCTS CORPORATION

Delaware General Corporation Law ss.228(d) requires notice to be given to all non-consenting shareholders of action taken by less than unanimous consent under ss.228(a). On _____, 1998, under Delaware General Corporation Law ss.228 - Consent of Shareholders in Lieu of a Meeting, 90% of the shareholders of Pice Products Corp. entitled to vote, consented to the adoption of the Agreement and Plan of Merger between Pice Products Corp. and Electric City Corp., dated effective as of _____, 1998.

Pursuant to ss.262 of the Delaware General Corporation Law, all non-consenting shareholders are entitled to appraisal of his or her shares in accordance with the procedures outlined in ss.262, a copy of which is attached.

Sincerely,

Joseph C. Marino
Chairman of Electric City Corp.

CERTIFICATE (ARTICLES) OF MERGER OF
PICE PRODUCTS CORP.
WITH AND INTO
ELECTRIC CITY CORP.

Pice Products Corp. and Electric City Corp. certify that:

1. The name and state of' incorporation of each of the constituent corporations are:

- (a) Pice Products Corp., a Delaware corporation (Acquired corporation)
- (b) Electric City Corp., a Delaware corporation (Acquiring corporation)

2. An Agreement and Plan of Merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the provisions of' subsection (c) of Section 252 of the General Corporation Law of the State of Delaware.

3. The Board of Directors of both constituent corporations unanimously approved the Agreement and Plan of Merger. The Unanimous Consent of the shareholders of Electric City Corp. was given on June ___, 1998. The transaction was approved by Consent of Shareholders of Pice Products Corp., under Delaware General Corporation Law ss.228, dated June ___, 1998 by shareholders holding 7,362,810 shares, which is 90% of the 8,180,900 shares entitled to vote. Only a majority of shares were required; therefore, the Agreement and Plan of Merger was approved by the required vote. Notice of Action Taken was mailed to all Pice Products Corp. shareholders pursuant to ss.262(d)(2) of the Delaware General Corporation Law.

4. The name of the surviving corporation is Electric City Corp., a Delaware corporation.

5. The Certificate of Incorporation dated _____, 1998, of Electric City Corp. shall be the Certificate of Incorporation of the surviving corporation.

6. The complete executed Agreement and Plan of Merger on file at the principal place of business of Electric City Corp. located at 225 North Arlington Heights Road, Elk Grove, Illinois 60007.

7. A copy of the Agreement and Plan of Merger will be furnished by Electric City Corp. on request and without cost, to any shareholder of the constituent corporations.

8. Electric City Corp. hereby irrevocably appoints the Delaware Secretary of State as its agent to accept service of process in any suit or proceeding. A copy of such process shall be mailed by the Secretary of State to Electric City Corp, located at 225 North Arlington Heights Road, Elk Grove,

IN WITNESS WHEREOF, the corporations have hereunto set their hands and seals.

Dated this ___ day of June, 1998.

PICE PRODUCTS CORP.
a Delaware corporation

By: _____
John B. Longman, Sole Director

ACKNOWLEDGED:

By: _____
_____, Secretary

[SEAL]

ELECTRIC CITY CORP.
a Delaware Corporation

By: _____
Joseph C. Marino, Chairman and
Chief Executive Officer

ACKNOWLEDGED:

By: _____

[SEAL]

_____, Secretary

CERTIFICATE OF INCORPORATION
OF
ELECTRIC CITY CORP.

1. Corporate Name. The name of the corporation (hereinafter, the "Corporation") is Electric City Corp.

2. Registered Office and Agent. The address, including street, number, city and county, of the registered office of the Corporation is the State of Delaware is 1013 Centre Road, Wilmington, 13305 in the County of New Castle. The name of the registered agent of the Corporation in the State of Delaware at such address is Corporation Service Company.

3. Purposes. The nature of the business of the Corporation and the objects or purposes to be transacted, promoted, conducted or carried on by it are as follows: To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

4. Authorized Capital Stock. The total number of shares of stock which the Corporation shall have authority to issue is 35,000,000, consisting of 30,000,000 shares of Common Stock, with a par value of \$0.0001 per share, and 5,000,000 shares of Preferred Stock, with a par value of \$0.01 per share (hereinafter, the "Capital Stock").

(a) Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The authority is expressly vested in the Board of Directors to establish and designate the series and to fix the rights, preferences, privileges and restrictions of any series of the Preferred Stock, including, without limitation, those relating to any dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences and sinking fund terms.

(b) Voting Rights. Except as may otherwise be provided by applicable law, each share of Common Stock shall be entitled to vote as one class for election of directors and on all other matters which may be submitted to a vote of stockholders of the Corporation.

- (c) Dividends. Dividends may be declared from time to time on the Common Stock at the discretion of the board of directors of the Corporation and in accordance with the provisions of the General Corporation Law of the State of Delaware.
- (d) Additional Issuances. At any time and from time to time while shares of

1

Common Stock are outstanding, the Corporation may create one or more series or one or more classes of capital stock senior to or on a parity with the shares of Common Stock in payment of dividends or upon liquidation, dissolution or winding up.

5. Incorporator. The name and mailing address of the incorporator of the Corporation is Carol L. Helfrich, One IBM Plaza, Suite 3700, Chicago, Illinois, 60611.

6. Additional Provisions. For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders, the following additional provisions are set forth and made a part of this Certificate of Incorporation:

- (a) The number of directors which shall constitute the whole board of directors of the Corporation shall be fixed by, or in the manner provided in, the by laws of the Corporation, but such number may from time to time be increased or decreased in such manner as may be prescribed by the by laws. The election of directors need not be by ballot.
- (b) In furtherance and not in limitation of the powers

conferred by the laws of the State of Delaware, the board of directors of the Corporation is expressly authorized and empowered:

1. to make, alter, amend and repeal the by laws of the Corporation, except as otherwise provided or permitted under the General Corporation Law of the State of Delaware and except that any by law which , in accordance with the provisions of the by laws, may be altered, amended or repealed only by the stockholders may not be altered, amended or repealed by the directors;
2. subject to the applicable provisions of the by laws then in effect, to determine, from time to time, whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right, except as conferred by the laws of the State of Delaware, to inspect any account or book or document of the Corporation unless and until authorized so to do by resolution of the board of directors or the stockholders of the Corporation;
3. without the assent or vote of the stockholders of the Corporation, to authorize and issue obligations of the Corporation, secured or unsecured, to include therein such provisions as to redeem ability, convertibility or otherwise, as the board of directors, in its sole

discretion, may determine, and to authorize the mortgaging or pledging, as security therefor, of any property of the Corporation, real or personal, including after-acquired property;

4. to determine whether any, and if any, what part, of the surplus of the Corporation or, in the event there shall be no such surplus, of the net profits of the Corporation for the then current fiscal year or the then immediately preceding fiscal year shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of any such surplus or such net profits;
5. to fix from time to time the amount of profits of the Corporation to be reserved as working capital or for any other lawful purpose; and
6. to establish bonus, profit-sharing or other types of incentive or compensation plans for employees (including officers and directors) of the Corporation and to fix the amount of profits to be distributed or shared and to determine the persons to participate in any such plans and the amounts of their respective participation.

In addition to the powers and authorities hereinbefore or by statute expressly conferred upon it, the board of directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware and the Certificate of Incorporation and the by laws of the Corporation.

- (c) Any director or any officer elected or appointed by the stockholders or by the board of directors may be removed at any time in such manner as shall be provided in the by laws of the Corporation.
- (d) Subject to any limitations in the by laws of the Corporation, the members of the board of directors shall be entitled to reasonable fees, salaries or other compensation for their services and to reimbursement for their expenses as such members. Nothing contained herein shall preclude any director

from serving the Corporation or any subsidiary or affiliated corporation, in any other capacity and receiving proper compensation therefor.

- (e) If the by laws of the Corporation so provide, the stockholders and board of directors of the Corporation shall have power to hold their meetings, to have an office or offices and to keep the books of the Corporation, subject to the provisions of the laws of the State of Delaware at such place or places as may from time to time be designated by the board of directors.

- (f) Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title S of the Delaware Code or on the applications of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title s of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such a manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the

stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation, as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

7. Indemnification and Insurance. The board of directors of the Corporation may, by resolution adopted from time to time, indemnify such persons as permitted by the General Corporation Law of the State of Delaware as amended from time to time. The board of directors of the Corporation may, by resolution adopted from time to time, purchase and maintain insurance on behalf of such persons as permitted by the General Corporation Law of the State of Delaware as amended from time to time.

8. Liability of Directors. No directors of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders (ii) for acts or omissions not in good faith or which involves international misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this paragraph by the stockholders of the Corporation shall be prospective only, and shall not adversely affect the Corporation existing at the time of such repeal or modification. Nothing herein shall limit or otherwise affect the obligation or right of the Corporation to indemnify its directors pursuant to the provisions of this Certificate of Incorporation, the by laws of the Corporation or as may be permitted by the General Corporation Law of the State of Delaware.

9. Amendment. Any of the provisions of this Certificate of Incorporation may from time to time be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws. And all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Section 9.

The undersigned, being the incorporator above named, for the purposes of forming a corporation under the laws of the State of Delaware, does make, file and record this certificate and does hereby certify that the facts stated herein are true; and the undersigned has hereunto accordingly set his hand.

Dated: May 6, 1998

/S/ CAROL L. HELFRICH

Carol L. Helfrich

BY-LAWS
OF
ELECTRIC CITY CORP.

ARTICLE I

OFFICES

Section 1. Registered Office and Agent. The name of the corporation's registered agent and the office of its registered office in the State of Delaware are as follows:

Corporation Service Company
1013 Centre Road
Wilmington, Delaware 19805

Section 2. Principal Office. The address of the principal office of the corporation is as follows:

7300 Lehigh Avenue
Niles, Illinois 60714

Section 3. Other Offices. The corporation may also have an office or officers at such other place or places, within or without the State of Delaware, as the board at directors may from time to time designate or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. Annual Meetings. The annual meeting of the stockholders shall be held at such time and place and on such date in each year, within or without the State of Delaware, as may be determined by the board of directors and as shall be designated in the notice of the meeting.

Section 2. Purposes of Annual Meeting. The annual meeting of the stockholders shall be held for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting, notice of which shall be given in the notice of the meeting.

Section 3. Failure to Elect Directors at annual Meeting. If the election of directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof the board of directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as convenient. At such meeting, the stockholders may elect directors and transact other business with the same force and effect as at an annual meeting.

Section 4. Special Meetings. Special meetings of the stockholders shall be held at such time and place and on such date in each year, within or without the State of Delaware, as may be determined by the person or persons calling the meeting and as shall be designated in the notice of the meeting. Special meetings of the stockholders may be called by the board of directors, the Chairman of the Board of Directors (sometimes hereafter in these by-laws, the "Chairman") or the President and shall be called by the Chairman, the President or the Secretary at the request in writing of stockholders owning at least one-fifth of the issued and outstanding shares of capital stock of the corporation entitled to vote. Calls for such meetings shall specify the purposes thereof and no business other than that specified in the call shall be considered at any special meeting.

Section 5. Notice of Meetings and Adjourned Meetings. Unless waived as provided below, and except as provided in Section 230 of the General Corporation Law of the State of Delaware, not less than tort nor more than sixty days before any stockholders' meeting, the Chairman, the President, the Secretary or an Assistant Secretary shall give each stockholder entitled to vote at the meeting written notice of the place, date and hour of the meeting and the purpose or purposes for which the meeting is called. Such notice shall be mailed to each stockholder at his address as it appears on the corporation's records. When a meeting is adjourned to another time or place, notice need not be given if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken. If the adjournment is for a period of more than thirty days, or if, after the adjournment, a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote. Except as otherwise expressly provided by statute, no publication of any notice of a stockholders' meeting shall be required. Any stockholder; either before or after any meeting, may waive any notice required to be given by law or pursuant to these by-laws.

Section 6. Quorum. Except as otherwise provided by law or the Certificate of Incorporation, the presence, in person or by proxy, of the holders of record of a majority of the shares of the capital stock of the corporation then issued and outstanding and entitled to vote at the meeting shall constitute a quorum for the transaction of business to be considered at

such meeting; provided, however, that no action required by law or by the Certificate of Incorporation or these by-laws to be authorized as taken by the holders of a designated proportion of a particular class or series of shares may be authorized or taken by a lesser proportion and provided, further, that if a separate class vote is required with respect to any matter, the holders of a majority of the outstanding shares of such class, present in person or by proxy, shall constitute a quorum of such class, and, except as otherwise provided by law or the Certificate of Incorporation, the affirmative vote of a majority of shares of such class

so present shall be the act of such class. In the absence of a quorum at any meeting or any adjournment thereof, a majority of those present, in person or by proxy and entitled to vote, may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called, may be transacted.

Section 7. Organization. Meetings of the stockholders shall be presided over by the Chairman, or if he is not present, by the President, or, if neither the Chairman nor the President is present, by a chairman to be chosen by a majority of the stockholders entitled to vote who are present in person or by proxy at the meeting. The Secretary of the corporation, or in the Secretary's absence, an Assistant Secretary, shall act as secretary of every meeting of the stockholders but, if neither the Secretary nor an Assistant Secretary is present, the meeting shall choose any person present thereat to act as secretary of the meeting.

Section 8. Voting. Except as otherwise provided by law or the Certificate of Incorporation, and subject to the provisions of Sections 4 and 5 of Article VI of these by-laws, at every meeting of the stockholders, each stockholder of the corporation entitled to vote at the meeting shall have one vote, in person or by proxy, for each share of stock having voting rights held by the stockholder. Any stockholder entitled to vote may do so either in person or by proxy appointed by an instrument in writing, subscribed by such stockholder or by the stockholder's attorney thereunto authorized and delivered to the secretary of the meeting; provided, however, that no proxy shall be voted on after three years from its date unless the proxy provides for a longer period. Except as otherwise required by law, the Certificate of Incorporation or these by-laws, all matters coming before any meeting of the stockholders shall be decided by the vote of a majority in interest of the stockholders present, in person or by proxy, at the meeting and entitled to vote, a quorum being present. Unless otherwise provided in the Certificate of Incorporation, voting at all elections for directors need not be by ballot and shall not be cumulative.

Section 9. Voting of Shares by Certain Holders.

(a) Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the by-laws of the other corporation may prescribe, or, in the absence of an appropriate provision, as the board of directors of the other corporation may determine.

(b) Shares standing in the name of a deceased person may be voted by the decedent's administrator or executor. Shares standing in the name of a guardian, conservator or trustee may be voted by such fiduciary, but no guardian, conservator or trustee shall be entitled, as such fiduciary, to vote shares held by such fiduciary without a transfer of such shares into the fiduciary's name.

(c) Shares standing in the name of a receiver may be voted by the receiver. Shares held by or under the control of a receiver may be voted by the receiver

without transfer thereof into the receiver's name if the authority so to do is contained in an appropriate order of the court by which the receiver was appointed.

(d) A stockholder whose shares are pledged shall be entitled to vote the pledged shares unless, in the transfer by the pledgor on the corporation's books, the pledgor has expressly empowered the pledgee to vote thereon, in which case only the pledgee may vote thereon.

(e) Shares of its own capital stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor counted for quorum purposes; provided, however, that nothing herein shall be construed as limiting the right of the corporation to vote stock, including but not limited to its own capital stock held by it in a fiduciary capacity.

(f) If shares are registered in the names of two or more persons, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written

notice to the contrary and is furnished with a copy of the instrument or order appointing such persons or creating the relationship so providing, their acts with respect to voting shall have the following effect:

- (1) if one votes, the voters act binds all;
- (2) if more than one vote, the act of the majority so voting binds all;
- (3) if the vote is evenly split, each faction may vote on the stock proportionately unless otherwise ordered by a court pursuant to the laws of the State of Delaware.

If an instrument showing that tenancy is held in unequal shares is filed with the Secretary, a majority or even-split shall be determined by interest.

Section 10. List of Stockholders. A complete list of the stockholders entitled to vote at each meeting of the stockholders, arranged in alphabetical order and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary or other officer of the corporation having charge of the stock ledger, at least ten days before the meeting. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city, town or village where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, and the list shall be produced and kept at the time and place of the meeting during the whole time thereof for inspection by any stockholder who may be present.

Section 11. Inspectors. At any meeting of the stockholders, the chairman of the meeting

may, or upon the request of any one or more stockholders or proxies holding or representing not less than ten percent of the outstanding shares shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting, based upon their determination of the validity and effect of proxies; count all votes and report the results; and do all such other acts as are proper to conduct the election and voting with impartiality and fairness. Each report of an inspector shall be in writing and signed by the inspector or by a majority of them if

there be more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 12. Informal Action by Stockholders. Except as otherwise provided by the Certificate of Incorporation, any action required to be taken at a meeting of the stockholders, or any other action which may be taken at a meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a written consent, setting forth the action so taker; shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote were present and voted. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

Section 1. Power Number and Term of Directors. Except as otherwise provided by law or the Certificate of Incorporation, the property, affairs and business of the corporation shall be managed by its board of directors, which shall be comprised of five persons. Subject to Section 3 of Article II above, directors shall be elected at the annual meeting of the stockholders and each director shall be elected to serve for one year and until the director's successor is elected and qualified or until the director's earlier resignation or removal. The directors shall have power, from time to time and at any time when the stockholders as such are not assembled in a meeting, to increase or decrease their own number by an amendment to these by-laws. If the number of directors is increased, the additional directors may be elected by a majority of the directors in office at the time of the increase, or if not so elected prior to the next meeting of the stockholders, the additional directors shall be elected by the stockholders. Directors need not be stockholders of the corporation.

Section 2. Quorum. A majority of the members of the board of directors in office shall constitute a quorum for the transaction of business; provided, however, a majority of directors then in office shall constitute a quorum for filling a vacancy on the board. If at any meeting of the board of directors a quorum shall not be present, a majority of the directors present may, without further notice, adjourn the meeting from time to time until a quorum shall have been obtained.

Section 3. Vacancies. In case one or more vacancies shall occur in the board of directors by reason of death, resignation or otherwise, except insofar as otherwise provided in the case of a vacancy or vacancies occurring by reason of removal by the stockholders, the remaining directors, although less than a quorum, may by a vote of the majority of the directors then in office elect a successor or successors for the unexpired term or terms.

Section 4. Meetings. Meetings of the board of directors, annual, regular and special, shall be held at such place within or without the State of Delaware as may from time to time be fixed by resolution of the board of directors or as may be specified in the notice of meeting. Regular meetings of the board of directors shall be held at such times as may from time to time be fixed by resolution of the board of directors, and no notice (other than the resolution) need be given as to any regular meeting. Special meetings may be held at any time upon the call of the Chairman, the President, any Vice President or the Secretary, or any two directors, by oral, telegraphic or written notice duly served on or sent or mailed to each director not less than 2 days before the meeting. An annual meeting of the board of directors shall be held without notice immediately after, and at the same place as, the annual meeting of the stockholders. Meetings may be held at any time without notice if all the directors are present or if; at any time before or after the meeting, those not present waive notice of the meeting in writing.

Section 5. Attendance by Communications Equipment. Unless otherwise restricted by the Certificate of Incorporation, members of the board of directors or of any committee designated by the board may participate in a meeting of the board or any such committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other. Participation in any meeting by such means shall constitute presence in person at such meeting.

Section 6. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to the action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward his written dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action.

Section 7. Committees. The board of directors may, in its discretion, by the affirmative vote of a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members

of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether he or they constitute a quorum, may

unanimously appoint another member of the board of directors to act at the meeting in the place of the absent or disqualified member. Except as otherwise provided by law or these by-laws, any committee, to the extent provided by resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation. No committee shall have or exercise the powers and authority of the board of directors with respect to filling vacancies among the directors or in any committee of the directors, amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, amending the by-laws, or; unless the resolution of the board of directors expressly so provides, declaring a dividend or authorizing the issuance of stock. A majority of the members of a committee may determine its action and fix the time and place of its meetings, unless the board of directors shall otherwise provide. The board of directors shall have the power at any time to fill vacancies in, to change the membership of; or to discharge any committee.

Section 8. Dividends and Reserves. Subject to the laws of the State of Delaware and the Certificate of incorporation, the board of directors shall have full power to determine whether any, and if any, what part of any, funds legally available for the payment of dividends shall be declared in dividends and paid to the stockholders. The division of the whole or any part of funds legally available shall rest wholly within the lawful discretion of the board of directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the stockholders as dividends or otherwise. The board of directors may set apart out of funds legally available for the payment of dividends a reserve or reserves for any proper purpose, and may from time to time, in its absolute judgment and discretion, increase, abolish, diminish and vary any reserve or reserves so set apart.

Section 9. Removal of Directors. At any duly called and held special meeting of the stockholders, any director or directors may, by the affirmative vote of the holders of an the shares of stock outstanding and entitled to vote in an election of directors, be removed from office, either with or without cause; provided, however, that, if the stockholders of the corporation are

entitled under the provisions of the Certificate of Incorporation to exercise cumulative voting rights in the election of directors, then no removal shall be effective if the holders of that proportion of the shares of stock outstanding and entitled to vote for an election of directors as could elect to the full board as then provided by these by-laws the director or directors sought to be removed shall vote against removal. The successor or successors to any director or directors so removed may be elected by the stockholders at the meeting at which removal was effectuated. The remaining directors may, to the extent vacancies are not filled by election by the stockholders, fill any vacancy or vacancies created by the removal.

Section 10. Informal Action. Any action required or permitted to be taken at any meeting of the board of directors or any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the board or of the committee, as the case may be, and such written consent is filed with the minutes of proceedings of the board or the committee.

ARTICLE IV

WAIVER OF NOTICE

Whenever, by law, the Certificate of Incorporation or these by-laws, notice is required to be given, a written waiver thereof, signed by the person entitled to notice, whether before or after the date of the meeting, shall be deemed equivalent to notice. Attendance of a person at a meeting of the stockholders, the board of directors or any committee designated by the board of directors shall constitute a waiver of notice of the meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of; any regular or special meeting or the stockholders, directors or any committee designated thereby need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these by-laws.

ARTICLE V

OFFICERS

Section 1. Number. At its annual meeting the board of directors shall elect a President and a Secretary and, from time to time, may elect a Chairman of the Board of Directors, a Treasurer, one or more Vice Presidents and such Assistant Secretaries, Assistant Treasurers and other officers, agents and employees as it may deem proper. Unless the Certificate of Incorporation otherwise provides, any number of offices may be held by the same person.

Section 2. Term and Removal. The term of office of each officer shall be one year and until the officer's successor is elected, but any officer may be removed from office, either with or without cause, at any time by the affirmative vote of a majority of the members of the board of directors then in office. A vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the board of directors.

Section 3. Chairman of the Board of Directors. The Chairman of the Board of Directors, if a Chairman of the Board of Directors has been elected and is serving, shall be the chief executive officer of the corporation and shall in general supervise and control all of the business and affairs of the corporation. The Chairman shall preside at all meetings of the stockholders and of the board of directors. The Chairman shall have the authority to sign certificates for shares of the corporation, any deeds, mortgages, bonds, contracts or other instruments which require the Chairman's signature, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or by these by-laws to some other officer or

agent of the corporation or shall be required by law to be otherwise signed or executed. In general, the Chairman shall perform all duties incident to the office of Chairman of the Board of Directors and chief executive officer of the corporation and such other duties as may be prescribed by the board of directors from time to time.

Section 4. The President. The President shall be the chief operating officer of the corporation and shall, subject to the direction and control of the board of directors, in general supervise and control all of the operations of the corporation. In the absence of the Chairman, the President shall preside at all meetings of the stockholders and of the board of directors. In the absence of the Chairman or in the event of the Chairman's inability or refusal to act, the President shall perform the duties of the Chairman and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman. The President may sign certificates for shares of the corporation, any deeds, mortgages, bonds, contracts or other instruments which require the President's signature, except in cases where the execution thereof shall be expressly delegated by the board of directors or by these by-laws to some other

officer or agent of the corporation or shall be required by law to be otherwise executed. In general, the President shall perform all duties incident to the office of President and chief administrative officer of the corporation and such other duties as may be prescribed from time to time by the board of directors or the Chairman.

Section 5. Vice Presidents. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, including, without limitation, the duties of the Chairman if and as assumed by the President as a result of the absence of the Chairman or the Chairman's inability or refusal to act, and the Vice President, when so acting, shall have all of the powers and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties as from time to time may be assigned to the Vice President by the Chairman, the President or the board of directors. The authority of Vice Presidents to sign in the name of the Corporation certificates for shares of the Corporation and deeds, mortgages, bonds, contracts or other instruments shall be coordinate with like authority of the President.

Section 6. Treasurer. If required by the board of directors, the Treasurer shall give a bond for the faithful discharge of the Treasurer's duties in such sum and with such surety or sureties as the board of directors shall determine. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the corporation, receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these by-laws. The Treasurer shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chairman, the President or the board of directors.

Section 7. Secretary. The Secretary shall: (a) keep records of corporate action, including the minutes of meetings of the stockholders and the board of directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (e) sign, with the Chairman, the President or a Vice President, certificates for

shares of the corporation, the issuance of which shall have been authorized by resolution of the board of directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chairman, the President or the board of directors.

Section 8. Assistant Treasurers and Assistant Secretaries. The Assistant Treasurers shall, if required by the board of directors, give bonds for the faithful discharge of their duties in such amounts and with such sureties as the board of directors shall determine. The Assistant Secretaries as thereunto authorized by the board of directors may sign, with the Chairman, the President or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by a resolution of the board of directors. The Assistant Treasurers and Assistant Secretaries in general shall perform such duties as shall be assigned to them by the Treasurer or the Secretary, respectively, or by the President, the Chairman or the board of directors.

ARTICLE VI

STOCK CERTIFICATES

Section 1. Form of Stock Certificates. The interest of each stockholder of the corporation shall be evidenced by certificates for shares of stock, certifying the number of fully-paid shares represented thereby and in such form, not inconsistent with the Certificate of Incorporation, as the board of directors may from time to time prescribe.

Section 2. Execution and Issuance of Certificates of Stock. Stock certificates shall be signed by the Chairman or a Vice-Chairman of the Board of Directors or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary and be sealed with the seal of the corporation. Such seal may be a facsimile, engraved or printed. If any stock certificate is signed by a transfer agent or a registrar, other than the corporation or its employees, the signatures of the Chairman, the President, a Vice President, the Secretary or an Assistant Secretary upon such certificate may be facsimiles, engraved or printed. In case any such officer who has signed, or whose facsimile signature has been placed upon, a stock certificate shall have ceased to be such before such certificate is issued, it may be issued by the corporation with the same effect as if such officer had not ceased to be such at the time of its issuance.

Section 3. Transfer of Certificates of Stock. Except as otherwise provided by the

Certificate of Incorporation or these by-laws, any certificate for shares of the Corporation shall be transferable in person or by attorney upon the surrender thereof to the corporation or any transfer agent therefor properly endorsed for transfer and accompanied by such assurances as the corporation or such transfer agent may require as to the genuineness and effectiveness of each necessary document.

Section 4. Fixing the Date for Determination of Stockholders of Record. To determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof; or entitled to receive payment of any dividend or any other distribution or allotment of any rights, or entitled to exercise any rights, in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix in advance a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. To determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix in advance a record date, which shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. No record date shall precede the date upon which the resolution fixing such date is adopted by the board of directors. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the board of directors fixes a new record date for the adjourned meeting.

Section 5. Failure to Fix Record Date. If no record date is fixed in accordance with Section 4 of this Article VI:

(a) The record date for determining stockholders entitled to notice or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or if the notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to the place where the proceedings of the corporation are recorded and the custodian of such proceedings. When prior action by the board of directors is required by law, the record date shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board

of directors adopts the resolution relating thereto.

Section 6. Lost, Stolen or Destroyed Stock Certificates. No stock certificate representing shares of the corporation shall be issued in place of any certificate alleged to have been lost,

stolen or destroyed except upon delivery to the corporation of such evidence as the board of directors may in its discretion require. The board of directors may also require a bond to be delivered to the corporation upon such terms and secured by such surety as the board shall deem fit.

Section 7. Transfer Agent and Registrar. The board of directors may appoint one or more transfer agents or one or more transfer clerks and one or more registrars and may require all stock certificates to bear the signature or signatures of any of them

Section 8. Examination of Books by Stockholders. The board shall have power to determine, from time to time, whether and to what extent and at what times and places and under what conditions and regulations the accounts and books and documents of the corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the corporation except as otherwise, and only to the extent, provided by law.

ARTICLE VII

INTEREST OF DIRECTORS OR OFFICERS IN CERTAIN TRANSACTIONS

Section 1. Action or Criteria Required. No contract or transaction between the corporation and one or more of its directors or officers, and no contract or transaction between the corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of directors or committee thereof which authorizes the contract or transaction, or solely because the vote of an interested director is counted for such purposes, if:

- (1) the material facts as to the directors relationship or interest and as to the contract or transaction are

disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) the material facts as to the directors relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) the contract or transaction is fair as to the corporation as to the time it is

authorized, approved or ratified, by the board of directors, a committee thereof, or the stockholders.

Section 2. Effect of Quorum. Common or interested directors may be counted in determining the presence of a quorum at any meeting of the board of directors or of a committee thereof.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Power to Indemnify. The corporation shall have the power to indemnify any person who is or was a director, officer, employee or agent of the corporation, or who is or was serving at the request of the corporation as a director; officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent permitted by law.

Section 2. Liability Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by the person in any such capacity, or arising out of the person's status as such, whether or the

corporation would have the power to indemnify the person against such liability.

ARTICLE IX

FISCAL YEAR

The fiscal year of the corporation shall be as determined by the board of directors of the corporation. In the absence of such determination, the fiscal year of the corporation shall be the calendar year.

ARTICLE X

CORPORATE SEAL

The board of directors may provide a suitable seal, including duplicates thereof, containing the name of the Corporation.

ARTICLE XI

AMENDMENTS

These by-laws shall be subject to alteration, amendment or repeal, and new by-laws, not inconsistent with any provision of law or the Certificate of Incorporation, may be made, either by the affirmative vote of a majority or the whole board of directors at any meeting thereof or, if the power to make, amend, or repeal the by-laws shall not have been granted to the board of directors in the Certificate of Incorporation, by the affirmative vote of the holders of a majority in interest of the stockholders or the corporation present in person or by proxy at any annual or special meeting and entitled to vote thereat, a quorum being present. Notice of the proposal to make, alter, amend or repeal the by-laws of the corporation shall be included in the notice of such meeting of the board of directors or of the stockholders, as the case may be.

ARTICLE XII

VOTING TRUST AGREEMENT

The corporation and certain of its stockholders have entered into the Voting Trust Agreement which provides, among other things, restrictions with respect to the voting rights of the shares of stock deposited into the voting trust governed thereby. If any provision of these by-laws shall conflict with or contravene any provision of the Voting Trust Agreement, or any such other similar agreement as is then in effect among the corporation and its stockholders, the Voting Trust Agreement shall control.

SALES, DISTRIBUTION AND
PATENT LICENSE AGREEMENT

Effective January 1, 1998, Giorgio Reverberi ('REVERBERI") an Italian entrepreneur having a place of business at Via Pavoni 5 42035 Castelnova ne' Monti (RE) Italy and Joseph C. Marino and/or his assignee ('JOSEPH C.MARINO"), a distributor having a place of business at 225 Arlington Heights Road, Elk Grove Village, Illinois, U.S.A., agree as follows:

Article 1

BACKGROUND OF THE AGREEMENT

- 1.01 REVERBERI represents that it owns the REVERBERI PATENTS as herein defined and that is prepared to grant to JOSEPH C.MARINO a license under the REVERBERI PATENTS.
- 1.02 REVERBERI wishes to appoint JOSEPH C.MARINO as its exclusive distributor in the TERRITORY for REVERBERI PRODUCTS as herein defined.
- 1.03 JOSEPH C.MARINO wishes to acquire a license to practice the REVERBERI PATENTS, and to be appointed REVERBERI's exclusive distributor for REVERBERI PRODUCTS as herein defined in the TERRITORY.

Article 2

DEFINITION

- 2.01 POWER CONTROL PRODUCT means any power or lighting controller for energy saving disclosed in the REVERBERI PATENTS and any improvements thereon.
- 2.02 REVERBERI PATENTS means any U.S. Patents which may issue on or claim priority from U.S. Application No 08/ filed November 10, 1997, which claimed priority from Italian Patent Application No. N197A-001185, filed May 21, 1997, and any corresponding foreign letters patent and including but not limited to patents of implementation, improvement or addition, utility model and appearance design patents and inventors certificates, as well as any continuation, continuation-in-part, divisional, reexamination, reissue, renewal and extension, patent applications and letters patent that may issue from such applications.

- 2.03 RELATED PATENT means any U.S. or foreign patent of any type having one or more claims relating to a POWER CONTROL PRODUCT.
- 2.04 TERRITORY means North America, including the United States of America, its territories and possessions, Canada, and Mexico; Central America; South America; and the Caribbean excluding: CUBA, ARGENTINA, CHILE PARAGUAY URUGUAY. REVERBERI expressly reserves the right to grant patent to thirty party resident out of the mentionee above TERRITORY.
- 2.05 ROYALTY-BEARING PRODUCT means any product covered by one more claims of the REVERBERI PATENTS, and manufactured or assembled by or for JOSEPH C. MARINO.
- 2.06 JOSEPH C.MARINO means Joseph C. Marino and/or assignees and any subsidiary there of presently owned or acquired during the term of this Agreement.
- 2.07 REVERBERI PRODUCT means any POWER CONTROL PRODUCT manufactured or sold by REVERBERI.

Article 3
LICENSE GRANT

- 3.01 REVERBERI grants to JOSEPH C.MARINO an exclusive license to make, have made, import, use and sell in the LICENSED TERRITORIES any product or method covered by one or more claims of the REVERBERI PATENTS.
- 3.02 The term of the license garanteed in section 3.01 shall be for the full life of the REVERBERI PATENTS.
- 3.03 JOSEPH C. MARINO allow, till this moment, REVERBERI, or his deputies to effect supervising inspection in his own commercial organization, with the authority to also audit REVERBERI's accounts and books, in order to assure the the observance of the obligations assumed by means of this

agreement.

JOSEPH C. MARINO authorizes this inspection both by his offices and by other third party.

JOSEPH C. MARINO is obligated to mark each sold, assembled and anyhow commercial product, by an electrochemistry engraving or similar or anyhow now removable and indelible, having the following inscription: PAT.PEND. REVERBERI PATENT MI 97/A 001185; MANUFACTURED ON TRADING LICENCE" and each product will report progressive number by means of the same formality.

2

3.04 The license to JOSEPH C. MARINO may be transferred or assigned to a corporation or others legal entity so long as JOSEPH C. MARINO retains a controlling interest in said legal entity.

Article 4

ROYALTIES

4.01 JOSEPH C. MARINO will pay to Reverberi a Royalty of 300\$ Dollars for each Royalty-Bearing Product made by or for JOSEPH C. MARINO and wich is sold by JOSEPH C. MARINO in the TERRITORY.

4.02 No later than the last day of January, May or September of each year that this Agreement is in effect JOSEPH C. MARINO will provide REVERBERI with write statement of all amounts due under paragraph 4.01 for the periods ending the lasts days of the preceding December, April and August and submit payment to REVERBERI within the following thirty days.

Article 5

APPOINTMENT AS DISTRIBUTOR

5.01 REVERBERI hereby appoints JOSEPH C.MARINO its sole and exclusive distributor and reseller within the TERRITORY of

REVERBERI PRODUCTS.

5.02 REVERBERI will supply REVERBERI PRODUCTS to JOSEPH C.MARINO for distribution in the TERRITORY, for which JOSEPH C.MARINO shall pay REVERBERI the then-prevailing most favorable wholesale price wich REVERBERI charges its best customers for such products.

Article 6

PRESENTATIONS, WARRANTIES

6.01 REVERBERI represent and warrants that it is the owner of each of the REVERBERI PATENTS and that it has not made and will not make any commitment or restriction incosistent with the Agreement or will material affect the rights granted by the exclusive license granted herein.

6.02 REVERBERI represents and warrants tha it does not presently own, control or have rights under any RELATED PATENT or pending application for a RELATED PATENT other than the REVERBERI PATENTS.

6.03 REVERBERI represents and warrants that it will not assert any RELATED PATENT against any third partty that purchases or otherwise lawfully receives or uses any POWER CONTROL PRODUCT or ROYALTY BEARING PRODUCT, provided that such POWER CONTROL PRODUCT or ROYALTY BEARING PRODUCT is obtained from JOSEPH C.MARINO.

Article 7

ENFORCEMENT AND MAINTENANCE OF PATENT RIGHTS

7.01 REVERBERI and JOSEPH C.MARINO agree to provide written notice to each other within 20 days of becoming aware of a need to defend the validity or enforceability of any REVERBERI PATENTS

or within 20 days of becoming aware of any potential infringement of any REVERBERI PATENTS.

- 7.02 REVERBERI shall have the first right to defend any of the REVERBERI PATENTS or to sue for infringement thereon. If REVERBERI chooses not to defend or sue on any REVERBERI PATENTS within 30 days of a written request by JOSEPH C. MARINO to do so JOSEPH C. MARINO shall have the power to defend or bring suit on said REVERBERI PATENTS, and if required by law, REVERBERI will join as party plaintiff in such action. If JOSEPH C. MARINO chooses to defend or sue for infringement of a REVERBERI PATENTS JOSEPH C. MARINO will retain any damages or expenses covered as a result of the suit.
- 7.03 REVERBERI agrees that it will provide written notice to JOSEPH C. MARINO within 10 days after becoming aware of any of the following: the failure to timely pay a maintenance fee or annuity; and the expiration, lapse, unintentional abandonment or other termination of any REVERBERI PATENTS.
- 7.04 REVERBERI agrees that it will pay all maintenance fees and other payments required to maintain such REVERBERI PATENT in force for the full term of each patent permitted by law.
- 7.05 REVERBERI agrees that JOSEPH C. MARINO can pay any maintenance fee, annuity or other payment required to maintain any REVERBERI PATENT in force in the event that REVERBERI refuses, or otherwise fails to pay the fee and that fees and related expenses paid by JOSEPH C. MARINO under this paragraph can be deducted from royalties due REVERBERI under Paragraph 4.01.
- 7.06 REVERBERI shall freely utilize the patent and its invention in his own activity: on this matter we state that any responsibility regarding the product, the manufacturing procedure the commercialization of the product exclusively pertain to JOSEPH C. MARINO.

JOSEPH

C.MARINO will provide to assume the most appropriate guarantees and he engages himself to give any useful and necessary guarantee to make the product work. Any responsibility is expressly excluded from REVERBERI.

Article 8

TERMINATION

- 8.01 The licenses granted herein shall terminate on the last day of the term of the last- expiring REVERBERI PATENT. The term relating to the appointment of JOSEPH C. MARINO as exclusive distributor shall remain in full force and effect for ten 10 years from the date of this Agreement, with an automatic renewal term of another ten 10 years unless either party gives written notice to the other of its intention not to renew no less than ninety (90) days prior to the expiration of the original term.
- 8.02 JOSEPH C. MARINO may terminate this Agreement upon sixty (60) days written notice to REVERBERI.
- 8.03 If JOSEPH C.MARINO terminates in part, the written notice shall clearly state the patent or no longer considered to be subject to the Agreement.
- 8.04 Either party may terminate this Agreement for breach by the other party of any material provision of this Agreement if such breach remains uncured for sixty (60) days after written notice to the breaching party.

Article 9

NOTICES UNDER THE AGREEMENT

- 9.01 All written communication to JOSEPH C.MARINO shall be addressed to: JOSEPH C.MARINO, 225 North Arlington Heights Road, Elk Grove Village, Illinois 60007, USA.
- 9.02 All written communication to REVERBERI should be addressed to: ELETTRONICA REVERBERI, Via Artigianale Croce 13/13a 42035 Castelnove ne Monti (RE) Italy.

Article 10

CONSTRUCTION

- 10.01 This Agreement shall be construed in accordance with the substantive laws of Italian State

Each debate that should rise or anyhow that should come from this Agreement, it'd be transferred to the Italian Jurisdictional Authority, sole competent court of REGGIO EMILIA.

- 10.02 This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior agreement and understandings of the parties written or oral.
- 10.03 This Agreement may be modified only in writhin signed by both parties.
- 10.04 Nothing provided herein shall be deemed to create any relationship between the parties of agency_partnership or joint venture.
- 10.05 In the event that any provision of this Agreement is held invalid or unenforceable for any reason, this Agreement shall be construed as if that provision had never been a part hereof.
- 10.06 This Agreement is written both in Italian than in English and unanimsously will Italian shall be the official language and it'll prevail in case of any contrast.

Article 11
PLANS AND DOCUMENTS

- 11.01 REVERBERI engages himself to give to JOSEF C.MARINO all reproducing designs plans and technical characteristic, necessary to manufacture the patent products, and he engages himself to keep the secret over them, even after the end of this Agreement.
- 11.02 REVERBERI engages himself to trasmit and to place at JOSEPH C.MARINO's disposal, all changes and improvings, realized on licenced products, without any increase of royalties.
- 11.03 REVERBERI engages himself to supply JOSEPH C. MARINO, in good

faith and without any reserve, all his technical service and advice necessary and useful to realize the patent in an industrial way.

11.04 REVERBERI, engages himself, for a period, strictly necessary to instruct at his charge, JOSEPH C.MARINO's staff, by his firm, as it concerns the manufacturing of the licenced product, excluded formation and training costs.

11.05 JOSEPH C. MARINO can't modify or improve the licenced product, without REVERBERI's previous consent.

6

11.06 JOSEPH C. MARINO can't manufacture and sell concurrent products, during and till to five years after the expiry of this Agreement.

11.07 JOSEPH C.MARINO engages himself to buy to REVERBERI (EXCEPT OTHER AGREEMENT NEGOTIABLE FROM THE PARTS) the following components: control modules, EDR,SDL,MI/O,GOC, MCL. SGM, SGL, MMO, AUTOTRASFORMER ,RELAY card and all necessary and not replaceable by an identical material locally dealt and produced.

This Agreement is written on December 24rd, 1997
In witness the parties;

REVERBERI GIORGIO

JOSEPH C. MARINO

/s/ Reverberi Giorgio

/s/ Joseph C. Marino

SUBLICENSER AGREEMENT

This Sublicense Agreement is entered into this ____ day of August, 1998 by and among Joseph Marino ("Sublicensor") and Electric City Corp., a Delaware corporation ("Sublicensee").

WITNESSETH:

WHEREAS, on the 1st day of January 1998, the Sublicensor was granted an exclusive license from Reverberi Electronica Castelnouovo Monti (RE) ("Reverberi") for the full term of the Reverberi patents in the territories, including all North, Central and South America ("Reverberi License"); and

WHEREAS, pursuant to said License Agreement Sublicensor is permitted to assign to any corporation in which he retains a legal interest all or a portion of said License; and

WHEREAS, it has been determined to be in the mutual best interests of the parties that Sublicensor assign all of his right, title and interest to said License with respect to the territory of the United States of America.

NOW THEREFORE, the parties hereto agree as follows:

1. Assignment of Partial License Rights. Sublicensor hereby assigns all of his right, title and interest to the Reverberi License with respect to the territory of the United States of America subject to all of Reverberi's interest, including royalties as contained in the original license grant pursuant to the Reverberi License a copy of which is attached hereto and made a part hereof by reference as Exhibit A.

2. Term of the License. The License granted hereby shall be an exclusive and perpetual sublicense of all of the Sublicensor's rights to the United States of America under the Reverberi License subject to termination in accordance with that license.

3. Royalty Payments. For each product unit manufactured and/or sold by Sublicensee, Sublicensee shall be required to pay a royalty of \$300 U.S. directly to Reverberi on a quarterly basis from the date of transfer of ownership thereof pursuant to the Reverberi License.

4. Limitations on Sublicense. The rights granted Sublicensee under this Agreement shall not be directly or indirectly assignable or transferable in any manner whatsoever nor shall Sublicensee have the right to grant any sublicenses. Any unauthorized assignment, transfer or sublicense by Sublicensee shall be null and void. This limitation shall not in any way restrict the Sublicensee from

engaging distributors to assist in the distribution of the Energy units to which shall not be deemed a sublicense.

5. Quality Standards. The Sublicensor and Reverberi shall have ongoing rights to exercise quality control over Sublicensee's use and manufacture of the Power Control Products, as defined in the Reverberi License. Sublicensee shall,

upon reasonable request by the Sublicensor and/or Reverberi, submit samples of manufactured Power Control Products systems. In the event that Reverberi or Sublicensor finds that any such samples do not perform in accordance with Reverberi specifications, Sublicensee shall, upon written notice thereof, immediately take steps which are necessary to correct the failures as defined in the notice. Failure to do so shall be deemed a material breach of this Agreement.

6. Protection of the Patents. Should Sublicensee become aware of any infringement of the Reverberi Patents or other use of the Power Control Products or should Sublicensee be notified of a claimed infringement on the part of the Sublicensee, Sublicensor or of Reverberi of any other Patent or Mark, Sublicensee shall immediately notify Sublicensor and/or Reverberi of said information and cooperate with the Sublicensor and/or Reverberi with respect to their efforts to protect the Patents and claims or defend any action for infringement. Sublicensee agrees to expend reasonable time, money and efforts in this respect in the assistance of such protection and acknowledges that such time and expense is in the mutual best interests of the parties to this Sublicense Agreement, and further Sublicensee indemnifies Sublicensor for its use of the Reverberi Patents in any capacity.

7. Representations and Warranties.

A. Sublicensor represents to Sublicensee that:

(i) he has the right to enter into this Sublicense Agreement relative to the Reverberi License which is current, not in default and not subject to any restrictions or limitations thereof;

(ii) he has full power and authority to execute and deliver this Agreement and to perform his obligations hereunder; and

(iii) this Agreement constitutes his valid and legally binding obligation, enforceable against him

in accordance with its terms subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and general equity principles.

B. Sublicensee represents to Sublicensor that:

(i) it is a Delaware corporation duly organized, validly existing and is in good standing under the laws of Delaware;

(ii) it has full corporate power and authority to execute and deliver this Agreement and, to perform its obligations hereunder;

(iii) the execution and delivery by it of this Agreement, and the performance by it of its obligations hereunder have been duly authorized by all requisite corporate action on the part of it and the Agreement constitutes its valid and legally

binding obligation enforceable against it in accordance with its terms subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and general equity principles.

8. General. As a result of engaging in this Sublicense Agreement, Sublicensee shall become generally responsible to perform all of the duties and functions to which the Sublicensor was otherwise bound pursuant to the Reverberi License with respect to transactions within the United States of America. Sublicensee agrees to indemnify and hold harmless Sublicensor from any liability which Sublicensor would otherwise have been responsible for to Reverberi had Sublicensor not entered into this Sublicense Agreement. Any breach on behalf of Sublicensee of this Sublicense Agreement or the underlying Reverberi License Agreement as it pertains to business in the United States of America shall from the basis for termination of this Sublicense Agreement subject to a 30 day notice of termination during which period of time Sublicensee shall have the right to cure said breach. During any period of time that Sublicensee shall be deemed to be in breach of either this Sublicense Agreement or the Reverberi

License, the Sublicensor may cure the breach at his expense so as not to result in the termination of the Reverberi License. Any amounts expended by the Sublicensor on behalf of Sublicensee to remedy any breaches or defaults shall immediately be due and owing the Sublicensor with interest at the rate of 18% per annum.

This Agreement shall be governed by the laws of the State of Illinois. The headings herein are for reference only and shall not define or limit the provisions hereof. This Agreement may not be altered, modified, amended or changed in whole or in part except by a written instrument executed by the parties hereto. This Agreement shall be binding upon the parties and their permitted successors and assigns. Any action brought to enforce the terms of this Agreement shall be brought in the Federal or State courts in Cook County, Illinois.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

SUBLICENSOR:

By: _____
Joseph C. Marino

SUBLICENSEE:
Electric City Corp.

By: _____
Joseph C. Marino, President

ATTEST:

By: _____
Secretary

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement"), dated as of the 1st day of January, 1999, is made by and among Joseph Marino ("Marino" or "Employee") and Electric City Corp., a Delaware corporation (the "Company").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Marino do hereby agree as follows:

Section 1. Employment and Duties. On the terms and subject to the conditions set forth in this Agreement, and subject to the approval of the board of directors of the Company, the Company agrees to employ Marino as its President and Chief Executive Officer to render such services as would be customary for a president and chief executive officer including hiring senior management and to render such other services and discharge such other responsibilities as the board of directors of the Company may, from time to time, stipulate and which shall not be inconsistent with the position of President and Chief Executive Officer.

Section 2. Performance. Marino accepts the employment described in Section 1 of this Agreement and agrees to concentrate all of his time and efforts to the performance of the services described therein, including the performance of such other services and responsibilities as the board of directors of the Company, may from time to time stipulate and which shall not be inconsistent with the position of President and Chief Executive Officer.

Without limiting the generality of the foregoing Marino ordinarily shall devote not less than five days per week (except for vacations and regular business holidays observed by the Company) on a full time basis, during normal business hours Monday through Friday. Marino further agrees that when the performance of his duties reasonably requires, he shall be present on the Company's premises (if necessary) or engaged in service to or on behalf of the Company at such times except during vacations, regular business holidays or weekends.

Section 3. Term. The term of employment under this Agreement (the "Employment Period") shall commence as of the date hereof and shall remain in effect for a period of four (4) years thereafter endings, on the 31st day of December, 2003, unless earlier terminated pursuant to the termination provisions set forth herein. Notwithstanding anything to the contrary herein, the parties acknowledge and agree that Marino's employment may be terminated only for Due Cause as more fully set forth herein.

Section 4. Compensation.

4.1. Salary. For all the services to be rendered by Marino hereunder, the Company agrees to pay, during the Employment Period, a salary at the annual rate of Two Hundred Twenty-Five Thousand (\$225,000) payable in equal monthly installments at the end of each month during the term of this Agreement, beginning on the 1st day of June, 1999, or at such other intervals, not less frequently than once per month, as may be consistent with the Company's normal compensation schedule. Thereafter, Marino's salary will be subject to annual review by the board of directors.

1

4.2. [Intentionally Deleted].

4.3. Stock Options. The Company hereby agrees to grant to Marino 450,000 stock options of the Company at an exercise price of \$3.50 per share, subject to and in accordance with the following:

(a) On the one year anniversary of the date of this Agreement, provided neither party has terminated this Agreement, Marino shall become immediately vested in options to purchase 112,500 of the issued and outstanding shares of common stock of the Company for three dollars and fifty cents (\$3.50) per share.

(b) On the two year anniversary of the date of this Agreement, provided neither party has terminated this Agreement, Marino shall become immediately vested in options to purchase 112,500 of the issued and outstanding shares of common stock of the Company for three dollars and fifty cents (\$3.50) per same.

(c) On the three year anniversary of the date of this Agreement, provided neither party has terminated this Agreement, Marino shall become immediately vested in options to purchase 112,500 of the issued and outstanding shares of common stock of the Company for three dollars and fifty cents (\$3.50) per share.

(d) On the four year anniversary of the date of this Agreement, provided neither party has terminated this Agreement, Marino shall become immediately vested in options to purchase 112,500 of the issued and outstanding shares of common stock of the Company for three dollars and fifty cents (\$3.50) per share.

(e) Registration Rights. Marino shall have piggy-back registration rights for all shares of stock obtained through the exercise of any options described in Sections 4.3(a) (b) (c) and (d) above for any registration the Company files with the Securities and Exchange Commission registering shares of the Company's common stock that are similar to the shares to be issued hereunder. The Company will use its best efforts to file an S-8 registration when Company becomes a

fully reporting company.

(f) Sale of Assets: Change in Control. Upon the sale of more than forty percent (40%) of the net assets or shares of stock of the Company to a person or entity not affiliated with the Company or its parent company or subsidiaries, all of the options described in Sections 4.3(a) (b) (c) and (d) above shall be automatically granted to Marino and shall immediately vest and be exercisable by Marino subject to the terms of this Agreement.

(g) Termination Options. The term of the Options hereunder shall be until December 31, 2008.

2

4.4. Insurance. During the Employment Period, the Company shall apply for and procure in Marino's name and for Marino's benefit, if Marino is eligible, (a) short-term and permanent disability insurance providing for disability benefits substantially equivalent to the benefit of other salaried employees of the Company, (b) medical and dental insurance for Marino and Marino's family substantially equivalent to the benefits of other salaried employees of the Company and (c) officer and director liability insurance, in such amount as may be determined by the board of directors of the Company or as may be required by law, and Marino shall submit to any medical or other examination and execute and deliver any application or other instrument in writing, reasonably necessary to effectuate such insurance.

4.5. Automobile. The Company agrees to provide Marino with the use of a new automobile satisfactory to Marino for the term of this Agreement.

4.6. Cellular Phone. The Company agrees to reimburse Marino for all business-related cellular phone calls, subject to the provisions of Section 5.2.

4.7. Other Benefits. Except as otherwise specifically provided herein, during the Employment Period, Marino shall be eligible for all vacation and non-wage benefits the Company provides generally for its other salaried employees.

Section 5. Business Expenses.

5.1. Reimbursement. The Company shall reimburse Marino for the reasonable, ordinary, and necessary expenses incurred by him in connection with the performance of his duties hereunder, including but not limited to, ordinary

and necessary travel expense and entertainment expenses.

5.2. Accounting. Marino shall provide the Company with an accounting of his expenses, which accounting shall clearly reflect which expenses are reimbursable by the Company, Marino will provide the Company with such other supporting documentation and other substantiation of reimbursable expenses as will conform to Internal Revenue Service or other requirements.

Section 6. Covenants of Marino.

6.1. Confidentiality. During the Employment Period and following the termination thereof for any reason, Marino shall not disclose or make any use of, for his own benefit or for the benefit of a business or entity other than the Company or any corporation partnership, limited liability company or other entity, more than 50% of the equity securities or partnership or membership interests of which are owned directly or indirectly by the Company, ("Subsidiaries") (except Global Energy Ventures and Reverberi Corporation) any secret or confidential information, customer lists, and lists of prospective customers, or any other information of or pertaining to the Company, its Subsidiaries or their businesses, products, financial affairs, customers or prospective customers, or services not generally known within the trade of the Company or its Subsidiaries and which was acquired by him during his affiliation with the Company or its Subsidiaries.

6.2. Inventions and Secrecy. Except as otherwise provided in this Section 6.2, Marino: (a) shall hold in a fiduciary capacity for the benefit of the Company and its Subsidiaries, all secret or confidential information, knowledge, or data of the Company, its Subsidiaries or their businesses or production operations obtained by Marino during his employment by the Company, which shall not be generally known to the public or recognized as standard practice (whether or not developed by Marino) and shall not, during his employment by the Company and after the termination of such employment for any reason, communicate or divulge, any such information, knowledge or data to any person, firm, or corporation other than the Company or its Subsidiaries, or persons, firms or corporations designated by the Company; (b) shall promptly disclose to the Company all inventions ideas, devices, and processes made or conceived by him alone or jointly with others, from the time of entering the Company's employ until such employment is terminated and within the one (1) year period immediately following such termination, relevant or pertinent in any way, whether directly or indirectly, to the businesses or production operations of the Company or its Subsidiaries or resulting from or suggested by any work which he may have done for or at the request of the Company or its Subsidiaries, (c) shall, at all times during his employment with the Company, assist the Company and its Subsidiaries in every proper way (entirely at the expense of the Company) to obtain and develop for the benefit of the Company patents on such inventions, ideas, devices, and processes, whether or not patented; and (d)

shall do all such acts and execute, acknowledge and deliver all such instruments as may be necessary or desirable in the opinion of the Company to vest in the Company, the entire interest in such inventions, ideas, devices, and processes referred to above. The covenants contained in this section 6.2 are not applicable to Marino's involvement with Global Energy Ventures or Reverberi Corporation.

6.3. Competition Following Termination. Within the two (2) year period immediately following termination of Marino's employment with the Company for any reason, Marino shall not, without the prior written consent of the Company, which consent may be withheld at the sole discretion of the Company: (a) engage directly or indirectly, whether as an officer, director, stockholder (of 10% or more of such entity), partner, majority owner, managerial employee, creditor, or otherwise with the operation, management, or conduct of any business which competes directly or indirectly with the businesses of the Company or its Subsidiaries being conducted at the time of such termination within the United States; (b) solicit, contact, interfere with, or divert any customer served by the Company or its Subsidiaries, or any prospective customer identified by or on behalf of the Company or its Subsidiaries, during Marino's employment with the Company; or (c) solicit any person then or previously employed by the Company or its Subsidiaries to join Marino, whether as a partner, agent, employee, or otherwise, in any enterprise engaged in a business similar to the businesses of the Company or its Subsidiaries being conducted at the time of such termination. The covenants contained in this section 6.3 are not applicable to Marino's involvement with Global Energy Ventures or Reverberi Corporation.

6.4. Acknowledgement. Marino acknowledges that the restrictions set forth in this Section 6 are reasonable in scope and essential to the preservation of the businesses and proprietary properties of the Company and its Subsidiaries and that the enforcement thereof will not in any manner preclude Marino, in the event of Marino's termination of employment with the Company, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have become accustomed and may expect.

6.5. Severability. The covenants of Marino contained in this Section 6 shall each be construed as an agreement independent of any other provision in this Agreement and the existence of any claim or cause of action of Marino against the Company or its Subsidiaries, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company or its Subsidiaries of such covenants. The parties hereto expressly agree and contract that it is not the intention of any party to violate any public policy, statutory or common law, and that if any sentence, paragraph,

clause, or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to make the covenants of this Agreement binding only to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire, that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

Section 7. Termination.

7.1 Termination for Due Cause. The Employment Period may be terminated only for the following reasons and upon the terms and conditions set forth below ("Due Cause"). Company, by a vote of 3/4 of the board of directors ("Termination Vote") may terminate the Employment Period, effective upon written notice of such termination to Marino, in the event of: (a) Marino's death or permanent total disability of Marino (b) breach by Marino of his covenants under this Agreement; (c) commission by Marino of theft or embezzlement of property of the Company or other acts of dishonesty; (d) commission by Marino of a crime resulting in injury to the businesses, properties or reputations of the Company or its Subsidiaries or commission of other significant activities harmful to the businesses, properties or reputations of the Company or its Subsidiaries; (e) commission of an act by Marino in the performance of his duties hereunder reasonably determined by a majority of the board of directors of the Company to amount to gross, willful, or wanton negligence; (f) willful refusal to perform or substantial neglect of the duties assigned to Marino pursuant to Section 1 hereof; (g) any significant violation of any statutory or common law duty of loyalty to the Company or its Subsidiaries; (i) other legally sufficient cause. In the event Marino is on the board of directors he shall not participate in a Termination Vote. The 3/4 vote necessary shall be calculated as if Marino was not a member of the board of directors. Notwithstanding the above, termination pursuant to the terms of this Agreement shall not affect Marino's status as a member of Company's Board of Directors.

7.2. Surrender of Properties. Upon termination of Marino's employment with the Company, regardless of the cause therefor, Marino shall promptly surrender to the Company or its Subsidiaries all property provided him by the Company or its Subsidiaries, as applicable, for use in relation to his employment and in addition, Marino shall surrender to the Company or its Subsidiaries, as applicable, any and all sales materials, lists of customers and prospective customers, price lists, files, patent applications, records, models,

or other materials and information of or pertaining to the Company or its Subsidiaries or their customers or prospective customers or the products, businesses, and operations of the Company or its Subsidiaries.

7.3. Survival of Covenants. The covenants of Marino set forth in Section 6 of this Agreement shall survive the termination of the Employment Period or termination of this Agreement for Due Cause.

Section 8. General Provisions.

8.1. Notice. Any notice required or permitted hereunder shall be made in writing (a) either by actual delivery of the notice into the hands of the party thereunder entitled, or (b) by the mailing of the notice in the United States mail, certified or registered mail, return receipt requested, all postage prepaid and addressed to the party to whom the notice is to be given at the party's respective address set forth below, or such other address as the parties may from time to time designate by written notice as herein provided.

If to the Company:

Electric City Corp.
1280 Landmeir Road
Elk Grove Village, Illinois 60007

With a copy (which shall not constitute notice) to:

Kwiatt & Ruben, Ltd.
211 Waukegan Road
Suite 300
Northfield, Illinois 60093
Attn.: Philip E. Ruben

If to President/CEO:

Joseph Marino
1410 Russell Court
Arlington Heights, Illinois 60005

The notice shall be deemed to be received in case (a) on the date of its actual receipt by the party entitled thereto and in case (b) on the date of its mailing.

8.2. Amendment and Waiver. No amendment or modification of this Agreement shall be valid or binding upon: a) the Company unless made in

writing and signed by an officer of the Company, duly authorized by the board of directors of the Company or; b) Marino unless made in writing and signed by him. The waiver by the Company or Marino of the breach of any Provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

8.3. Governing Law. The validity and effect of this Agreement and the rights and obligations of the parties hereto shall be construed and determined in accordance with the internal law, and not the conflicts law, of the State of Illinois.

8.4. Entire Agreement. This Agreement contains all of the terms agreed upon by the parties with respect to the subject matter hereof and supersedes all prior agreements, arrangements and communications between the parties dealing with such subject matter, whether oral or written.

8.5. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the transferees, successors and assigns of the Company, including any company or corporation with which the Company may merge or consolidate.

8.6. Remedies for Breach. Marino specifically acknowledges that his services under this Agreement are unique and extraordinary and that irreparable injury will result to the Company and its businesses and properties in the event of a breach of the terms and conditions of this Agreement to be performed by him (including, but not limited to, leaving the employment provided for hereunder). Marino, therefore, agrees that in the event of his breach of any of the terms and conditions of this Agreement to be performed by him (including, but not limited to leaving the employment provided for hereunder), the Company shall be entitled, if it so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity, to enjoin him from performing services for any other person, firm or corporation in violation of any of the terms of this Agreement, and to obtain damages for any breach of this Agreement. In the event of the breach by the Company of any of the terms and conditions of this Agreement to be performed by it, Marino shall have all remedies available to him under the laws of the State of Illinois. The remedies provided herein shall be cumulative and in addition to any and all other remedies which either party may have at law or in equity.

8.7. Costs of Enforcement. In the event of any suit or proceeding seeking to enforce the terms, covenants, or conditions of this Agreement, the prevailing party shall, in addition to all other remedies and relief that may be available under this Agreement or applicable law, recover his or its reasonable attorneys' fees and costs as shall be determined and awarded by the court.

8.8. Headings. Numbers and titles to paragraphs hereof are for information purposes only and, where inconsistent with the text, are to be disregarded.

8.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together, shall be and constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date first set forth above.

ELECTRIC CITY CORP.

By: /s/ Joseph Marino

Its: President

JOSEPH MARINO

/s/ Joseph Marino

REAL ESTATE SALES CONTRACT

1. ELECTRIC CITY CORP., a DELAWARE CORPORATION (Purchaser) agrees to purchase at a price of \$1,140,000 on the terms set forth herein, the following described real estate in Cook County, Illinois.

Commonly known as 1280 Landmeier Road, and with approximate lot dimensions of _____ together with the following property presently located thereon:

Single story masonry steel and glass building

2. GIOVANNI GULLO & MARIA GULLO FAMILY LMT PARTNERSHIP (Seller) agrees to sell the real estate and the property described above, if any, at the price and terms set forth herein, and to convey or cause to be conveyed to Purchaser or nominee title thereto by a recordable trustee deed, with release of homestead rights, if any, and a proper bill of sale, subject only to: (a) covenants, conditions and restrictions of record; (b) private, public and utility easements and roads and highways, if any; (c) party *** rights and agreements, if any; (d) existing leases and tenancies (as listed in schedule A attached); (e) special taxes or assessments for improvements not yet completed; (f) installments not due at the date hereof of any special tax or improvements heretofore completed; (g) mortgage or trust deed specified below, if any; (h) general taxes for the year 1998 and subsequent years including taxes which may accrue by reason of new or additional improvements during the year(s) 1998 and to

3. Purchaser has paid \$ N/A as earnest money to be applied on the purchase price, and agrees to pay of satisfy the balance of the purchase price, plus or minus *** , at the time of closing as follows:

(a) The payment of \$800,000 See Rider.

4. Seller, at his own expense, agrees to furnish Purchaser a current plat of survey of the above real estate made, and so certified by the surveyor as having been made, in compliance with the Illinois Land Survey Standard.

5. The time of the closing shall be ____**_____ or on the date, if any, to which such time is extended by reason of paragraphs 2 or 10 of the Conditions and Stipulations hereafter becoming operative (whichever date is later). Unless subsequently mutually agreed otherwise at the office of the title company or of the mortgage lender, if any, provided *** is shown to be good or is accepted by Purchaser within thirty (30) days from the acceptance date of this contract.

** Within 30 Days From The Acceptance Of This Contract

6. Seller agrees to pay a broker's commission to _____ N/A _____ in the amount set forth in the broker's contract or as follows _____ N/A _____ .

7. The earnest money will be held by _____ N/A _____ for the mutual benefit of the parties.

8. Seller warrants that Seller, its beneficiaries or agents of Seller or of its beneficiaries have received no notices from any city, village or other governmental authority of zoning, building, fire or health code violations in respect to the real estate that have not been heretofore corrected.

9. A duplicate original of this contract, duly executed by the Seller and his spouse, if any, shall be delivered to the Purchaser within 2 days from the date hereof, otherwise at the Purchaser's option, that consent shall become null and void and the earnest money shall be refunded to the Purchaser.

This consent is subject to the Conditions and Stipulations set forth on the back page hereof, which Conditions and Stipulations are made a part of this contract.

ACCEPTANCE

Dated _____

Purchaser ELECTRIC CITY CORP. (Address) _____

Purchaser By: (Address) _____
Joseph Marino

Seller (Address) _____
GIOVANNI, GULLO & MARIA GULLO FAMILY LMT. PARTNERSHIP

Seller By: /s/ Giovanni Gullo (Address)

RIDER A

THIS RIDER IS ATTACHED TO AND MADE A PART OF A CERTAIN REAL ESTATE CONTRACT FOR THE PURCHASE OF REAL ESTATE COMMONLY KNOWN AS 1280 LANDMEIER RD., ELK GROVE VILLAGE, ILLINOIS MADE BY ELECTRIC CITY CORP., IT'S NOMINEES OR ASSIGNS (HEREINAFTER REFERRED TO AS "PURCHASER"); AND GIOVANNI GULLO & MARIA GULLO FAMILY LMT. PARTNERSHIP (HEREINAFTER REFERRED TO AS THE "SELLER"). IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS AND PROVISIONS OF THIS RIDER AND THOSE CONTAINED IN THE REAL ESTATE SALE CONTRACT TO WHICH IT IS ATTACHED, THE TERMS AND PROVISIONS OF THIS RIDER SHALL PREVAIL.

1. The purchase price as reflected in paragraph 1 of the Real Estate Sales Contract shall be paid as follows:
 1. \$800,000 dollars in cash at closing.
 2. The balance of purchase price in the amount of \$340,000 dollars shall be delivered to Seller at closing in value form of 170,000 shares of common stock in Electric City Corp., a Delaware corporation. At closing, 168,000 shares of such stock shall be issued to Giovanni and Maria Gullo, 1,000 shares to James and Rosanne Spanola and 1,000 shares to Anthony and Rebecca Petropoulos.
2. Gullo International Development Corporation or its nominee shall have the right and authority to purchase and sell Electric City Corp's Energy Management System Saver and accessories and provide installation and maintenance, subject to certain restricted Corporate accounts and geological territories which will be provided by Purchaser.
3. Purchaser agrees that for a period of twelve (12) months from the date of closing, that it shall not place a first mortgage on the real estate in excess of \$800,000.00.

4. Purchaser shall give Seller notice of the date of Electric City Corp. common stock first day of trading on the OTC exchange. ("Initial Trading Date")
5. Seller and Purchaser agree that should the shares of Electric City Corp. trade under \$2.00 per share for Ten (10) consecutive trading days, within a 3 month period from the Initial Trading Date or should the shares of Electric City Corp., not trade on any stock exchange within Six (6) months from the acceptance of this contract, Seller shall have the right to repurchase the improvements from Electric City Corp. for \$800,000 or sell the 170,000 shares of common stock to Electric City Corp. for \$340,000.
6. Should Seller repurchase the property pursuant to paragraph #5 in this Rider, Electric City Corp. will enter into a Ten (10) year lease for \$10,000 month rental on a Triple net basis.
7. Seller and purchaser will cooperate with each other to ascertain a 6B Tax Classification for the Real Estate Taxes from the Village of Elk Grove and the Cook County Assessor's office.
8. Seller and purchaser agree to cooperate with each other regarding a 1031 Starker Exchange.
9. Occupancy by Electric City Corp. will be immediate or upon issuance of a 6B Classification from the Village of Elk Grove Village.
10. In the event the either party hereto initiates a lawsuit against the other party by reason of the alleged breach of this Agreement by the other party, then all costs and expenses, including, without limitation reasonable attorneys' and/or accountants' fees, incurred by the prevailing party in connection with such litigation and the dispute forming the basis thereof shall be paid or reimbursed by the non-prevailing party.

IN WITNESS WHEREOF, the parties have caused this Contract to be signed by their duly authorized representative on the date first above written.

PURCHASER: /s/ Joseph C. Marino

Electric City Corp.

DATE: 7/3/98

SELLER: /s/ Giovanni Gullo

DATE: 7-3-98

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("Agreement") is made and entered into as of the 24th day of May, 1999 by and between Marino Electric, Inc., an Illinois corporation ("Seller" or "Company"), Electric City Corp., a Delaware corporation, ("Buyer") and Mr. Joseph Marino ("Marino").

RECITALS

WHEREAS, the Seller is a manufacturer, supplier and installer of electrical panels and other electrical equipment and related materials (the "Business").

WHEREAS, the Seller is desirous of selling and buyer is desirous purchasing all of the assets of the Seller.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Purchase and Sale of Assets.

1.1 Sale of Assets to Buyer. At the Closing referred to in Section 4, the Seller shall sell and assign to the Buyer, and the Buyer shall purchase and acquire from the Seller, all of the equipment, materials, work in progress, finished goods, telephone numbers, customer lists, goodwill, and all of Seller's right, title and interest in any and all of the other assets used in connection with the Business, including but not limited to, all tradenames, trademarks, (the "Purchased Assets"), free and clear of any claims, liens or encumbrances, except for those that are non-substantial in character and that do not otherwise materially interfere with the present or proposed use of the Purchased Assets, as the Purchased Assets exist as of the Closing.

2. Purchase Price for Purchased Assets.

2.1 Cash. At the Closing Buyer shall pay to Seller ONE MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$1,500,000.00) in lawful currency of the United States of America. (collectively with the ECC Shares and Inventory, as hereinafter defined, the "Purchase Price")

2.2 Stock. At the Closing Buyer shall also distribute EIGHT HUNDRED THOUSAND SHARES (800,000) of the common stock of Buyer (the "ECC Shares") to Marino. The name of the certificate shall be "Joseph Marino".

3. Purchase Price for Inventory.

3.1 Purchase of Inventory. In addition to the Purchased Assets, the Seller shall sell and assign to the Buyer, and the Buyer shall

purchase and acquire from the Seller, the inventory ("Inventory") of Seller up to and including May 24, 1999.

1

3.2 Price for Inventory. At the Closing, and in addition to the amounts paid for the Purchased Assets, Buyer shall pay to Seller TWO HUNDRED NINETY-TWO THOUSAND AND 00/100 DOLLARS (\$292,000.00) in lawful currency of the United States of America for the Inventory.

4. Closing.

4.1 Closing. The closing of this Agreement shall take place at the offices of Kwiatt & Ruben, Ltd., 211 Waukegan Road, Northfield, Illinois 60093, on the ___ day of _____, 1999 or at such other time/location as the parties hereto shall agree upon (the "Closing"). At the Closing, Seller shall pay to Buyer the Purchase Price and Seller shall deliver to Buyer the Purchased Assets, free and clear of all liens, options, encumbrances and security interests, and the Inventory as set forth elsewhere in this Agreement.

4.2 Conveyance. On the Closing Date, subject to the terms and conditions set forth in this Agreement, Seller shall sell, assign and deliver (or cause the sale, assignment and delivery of) the Purchased Assets and Inventory to Buyer, and Buyer shall purchase and take delivery of the Purchased Assets and Inventory. Seller shall execute and deliver (or cause to be executed and delivered) such documents of conveyance and take such other action as may be necessary or reasonably desirable to transfer all interests therein to Buyer and put Buyer in actual possession and operating control of the Purchased Assets and Inventory. Seller agrees that such sale, assignment and delivery shall be effected by such , bills of sale, endorsements, assignments and such other instruments of transfer and conveyance as Buyer shall reasonably request and as shall be sufficient to convey all the right, title and interest of Seller in and to the Purchased Assets and Inventory.

5. Seller's and Company's Representations and Warranties.

5.1 Seller's Representations. Seller represents and warrants to Buyer that each of the following statements are true and correct upon execution of this Agreement and at all times through Closing and thereafter:

(a) Organization and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has all requisite corporate and other power and all necessary permits, certificates, licenses, approvals and other authorizations required to carry on its business in the manner in which such business is presently carried on. The Company is qualified to do business and is in good standing in every state or jurisdiction in which either the ownership or use of its properties, or the nature of the activities conducted by it, requires

such qualification or the lack thereof would have a material adverse effect on the Company.

(b) Valid and Binding Agreement. The Company has full power and authority to execute, deliver and perform this Agreement and all other documents and instruments to be executed by the Company pursuant to this Agreement without the consent of any other person or entity. This Agreement constitutes a valid and binding agreement of the Company, enforceable against it in accordance with its terms. Neither the execution and delivery of this Agreement or the purchase and sale of the Purchased Assets and Inventory (i) violates or will violate any statute or law or any rule, regulation, or order of any court or governmental authority applicable to Company, or (ii) violates or will violate, or conflicts with or will conflict with, or constitutes a default under or will constitute a default under, any contract, commitment, agreement understanding or restriction of any kind to which the Company is a party or may be bound.

2

(c) Stock Options. None of the shares of the capital stock of the Company is subject to any stock option, stock warrant, stock right or agreement. The Company has not issued any securities convertible into stock or made offers on commitments or incurred any obligation to issue shares of stock or securities convertible into stock at any future time. Furthermore, the Company is not a party to any agreement which offers or grants to any person or entity the right to purchase or acquire any shares of the capital stock of the Company.

(d) Absence of Undisclosed Liabilities. The Company has no material liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise, including without limitation tax liabilities or the guarantee of third party obligations, which are not reflected or accounted for in the Financial Statements other than current liabilities incurred in the ordinary course of business since the respective dates thereof. The Company does not owe any money to any subsidiary other than as reflected in the latest Financial Statement provided to Buyer under this Agreement.

(e) No Material Adverse Change. Since the date of the most recent Financial Statements, there has not been (i) any material adverse change in the financial condition or in the operations, businesses, prospects, properties or assets of the Company considered as a whole from that shown in such Financial Statements, and no event has occurred or circumstances exists that may result in such a material adverse change; (ii) payment or increase by the Company of any bonuses, salaries, or other compensation to any stockholder,

director, officer or, except in the ordinary course of business, employee or entry into any employment, severance or similar contract with any director, officer or employee; (iii) material change in the methods of accounting used by the Company; (iv) sale (other than the sale of inventory in the ordinary course of business), lease, or other disposition of any asset or property of the Company or mortgage, pledge or imposition of any lien or other Encumbrance on any material asset or property of the Company; or (v) agreement, whether oral or written, by the Company to do any of the foregoing.

(f) Tax Returns and Payments; Tax Status. The Company has duly filed all federal, state and local tax returns required to be filed and has duly paid in full all taxes and other governmental charges upon the Company or its properties, assets, income and sales and has delivered copies of the Company's last three (3) years tax returns to Buyer. The charges, accruals, and reserves with respect to taxes on the books of the Company are adequate. All taxes that the Company is or was required by law, ordinance or rule to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper governmental authority.

3

(g) Legal Proceedings. There are no actions, suits, proceedings or claims pending or, to the knowledge of the Company, threatened, with respect to or in any manner affecting the Company or the Purchased Assets.

(h) Financial Statements. (i) The Sellers have previously delivered to Buyer the Financial Statements. (ii) The Financial Statements present fairly the financial condition and the results of operation, changes in stockholders' equity, and cash flow of the Company as at the respective dates set forth therein.

(i) Employees. The Company does not now maintain or make contributions to, and has not in the past maintained or made contributions to, any employee pension plan or employee benefit plan, as such terms are defined under the Employee Retirement Income Security Act of 1974, as amended.

(j) Insurance. The Company carries insurance, which is adequate in character and amount, with reputable insurers, covering all of its, assets, properties and, business, and it has provided all required performance or other surety bonds.

(k) Environmental. (i) The Company has not transported, stored, treated or disposed, nor has it arranged for or, to the knowledge of the Company, allowed any third Person to transport, store, treat or dispose waste to or at: (i) any location other than a site lawfully permitted to receive such waste for such purposes, or (ii) any location designated for remedial action pursuant to the Comprehensive Environmental Response, Compensation and Liability

Act of 1980 ("CERCLA") or any similar federal or state statute; nor has it performed, arranged for or allowed by any method or procedure such transportation or disposal in contravention of any laws or regulations or in any manner which may result in liability for contamination of the environment. The Company has not disposed, nor has it allowed or arranged for any third parties to dispose of waste upon property owned or leased by it, except as permitted by law.

(1) Brokers or Finders. The Company nor its respective agents have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

5.2 Buyer's Representations and Warranties. Buyer represents and warrants to Seller that each of the following statements are true and correct upon execution of this Agreement and at all times through Closing and thereafter:

(a) Organization and Good Standing. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has all requisite corporate and other power and all necessary permits, certificates, licenses, approvals and other authorizations required to carry on its business in the manner in which such business is presently carried on. The Buyer is qualified to do business and is in good standing in every state or jurisdiction in which either the ownership or use of its properties, or the nature of the activities conducted by it, requires such qualification or the lack thereof would have a material adverse effect on the Buyer.

(b) Authority. Buyer has full corporate power and authority to execute, deliver and perform this Agreement and all other documents and instruments to be executed by Buyer pursuant to this Agreement without the consent of any other person or entity. This Agreement and the transactions contemplated by it, have been validly approved and authorized by the Board of Directors of Buyer, and its officer or officers executing this Agreement have been duly authorized for that purpose.

(c) Valid and Binding Agreement. This Agreement constitutes a valid and binding agreement of Buyer, enforceable against it in accordance with its terms. Neither the execution and delivery of this Agreement nor the purchase of the Purchased Assets and Inventory (i) violates or will violate any statute or law or any rule, regulation or order of any court or governmental authority applicable to Buyer, or (ii) violates or will violate, or conflicts with or will conflict with, or constitutes a default under or will constitute a default

under, any contract, commitment or agreement to which Buyer is a party or by which Buyer is bound.

(d) No Broker. Buyer has entered into no agreement to which a party thereto is entitled to any brokerage or commission fee as a result of the transactions contemplated hereby.

6. Conditions Precedent to Closing.

6.1 Conditions Precedent. All obligations of the parties under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions:

(a) Representations and Warranties True at Closing. Buyer's and Seller's representations and warranties contained in this Agreement shall be true at the time of Closing as though such representations and warranties were made at such time.

(b) Performance. Each party shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by such party prior to or at the Closing.

(c) Purchase Price. Buyer shall have delivered to Marino the ECC Shares and the \$1,792,000 in lawful currency of the United States of America.

(d) Appraisal. Seller and/or the Company shall have received an appraisal regarding the Company which substantially supports the Purchase Price being paid hereunder.

(e) Board Approval. Buyer's Board of Directors shall have approved the transactions contemplated hereby. Failure of Buyer's Board to approve this Agreement shall render this Agreement null and void.

(f) Other Documents. Buyer shall have received such other documents as Buyer may reasonably request for the purpose of (i) evidencing the accuracy of any of Seller's representations and warranties, (ii) evidencing the performance by Seller of, or the compliance by Seller with, any covenant or obligation required to be performed or complied with by Seller, (iii) evidencing the satisfaction of any condition referred to in this Section 7(c), or (iv) otherwise facilitating the consummation or performance of any of the transactions contemplated herein.

7. Indemnification.

7.1 Indemnification of Buyer. Subject to the limitations

contained in this Section 7, Seller agrees to indemnify, defend and hold harmless Buyer and each of its affiliates and their respective directors, officers, employees, successors and assigns from and against any and all losses, liabilities (including punitive or exemplary damages and fines or penalties and any interest thereon), expenses (including reasonable fees and disbursements of counsel and expenses of investigation and defense), claims, liens or other obligations of any nature whatsoever (hereinafter individually, a "Loss" and collectively, "Losses") which, directly or indirectly, arise out of, result from or relate to (a) any inaccuracy in or any breach of any representation and warranty which survived the Closing pursuant to Section 5.1 hereof, or any breach of any covenant or agreement of Seller contained in this Agreement.

7.2 Indemnification of Seller. Subject to the limitations contained in this Section 7, Buyer agrees to indemnify, defend and hold harmless Seller, its affiliates and their respective directors, officers, employees, successors and assigns from and against any and all Losses including reasonable attorney's fees and costs which, directly or indirectly, arise out of, result from or relate to (a) any inaccuracy in or any breach of any representation and warranty, or any breach of any covenant or agreement, of Buyer contained in this Agreement or in any document or other papers delivered by Buyer pursuant to this Agreement.

7.3 Method of Asserting Claims. The party making a claim under this Section 7 is referred to as the "Indemnified Party" and the party against whom such claims are asserted under this Section 7 is referred to as the "Indemnifying Party". All claims by any Indemnified Party under this Section 7 shall be asserted and resolved as follows:

(a) In the event that any claim or demand for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against or sought to be collected from such Indemnified Party by a third party, said Indemnified Party shall with reasonable promptness notify in writing the Indemnifying Party of such claim or demand, specifying the basis for such claim or demand, and the amount or the estimated amount thereof to the extent then determinable (which estimate shall not be conclusive of the final amount of such claim and demand; the "Claim Notice"); provided, however, that any failure to give such Claim Notice will not be deemed a waiver of any rights of the Indemnified Party except to the extent the rights of the Indemnifying Party are actually prejudiced by such failure. The Indemnifying Party, upon request of the Indemnified Party, shall retain counsel (who shall be reasonably acceptable to the Indemnified Party) to represent the Indemnified Party and shall pay the reasonable fees and disbursements of such counsel with regard thereto; provided, however, that any Indemnified Party is hereby authorized prior to the date on which it receives written notice from the Indemnifying Party designating such counsel, to retain counsel, whose fees and expenses shall be at the expense of the Indemnifying Party, to file any motion, answer or other pleading and take such other action which it reasonably shall deem

necessary to protect its interests or those of the Indemnifying Party until the date on which the Indemnified Party receives such notice from the Indemnifying Party. After the Indemnifying Party shall retain such counsel, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (x) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (y) the representation of both parties by the same counsel (in the opinion of such counsel) would be inappropriate due to actual or potential differing interests between them, in which case such fees shall be paid by the Indemnifying Party. The Indemnifying Party shall not, in connection with any proceedings or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one such firm for the Indemnified Party (except to the extent the Indemnified Party retained counsel to protect its (or the Indemnifying Party's) rights prior to the selection of counsel by the Indemnifying Party). If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in contesting any claim or demand which the Indemnifying Party defends. A claim or demand may not be settled by the Indemnifying Party without the prior written consent of the Indemnified Party (which consent will not be unreasonably withheld) unless, as part of such settlement, the Indemnified Party shall receive a full and unconditional release reasonably satisfactory to the Indemnified Party.

(b) In the event any Indemnified Party shall have a claim against any Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party.

(c) After delivery of a Claim Notice, so long as any right to indemnification exists pursuant to this Section 7 the affected parties each agree to retain all Books and Records related to such Claim Notice. In each instance, the Indemnified Party shall have the right to be kept fully informed by the Indemnifying Party and its legal counsel with respect to any legal proceedings. Any information or documents made available to any party hereunder and designated as confidential by the party providing such information or documents and which is not otherwise generally available to the public and not already within the knowledge of the party to whom the information is provided (unless otherwise covered by the confidentiality provisions of any other agreement among the parties hereto, or any of them), and

except as may be required by applicable Law, shall not be disclosed to any third Person (except for the representatives of the party being provided with the information, in which event the party being provided with the information shall request its representatives not to disclose any such information which it otherwise required hereunder to be kept confidential).

8. Assignment.

8.1 Assignment and Amendments. This Agreement shall not be assignable by any of the parties hereto, except that Buyer may, without the prior written consent of Seller, assign this Agreement and any or all of its rights and/or its obligations hereunder (i) to any one or more of its affiliated companies prior to Closing or (ii) to one or more of its lenders as collateral for a loan at any time. No assignment will relieve the assigning party of any of its obligations hereunder. This Agreement cannot be altered or otherwise amended except pursuant to an instrument in writing signed by all parties.

7

9. Miscellaneous.

9.1 Survival. All representations, warranties, covenants and agreements made by either party or pursuant hereto, except as otherwise expressly stated, shall survive Closing.

9.2 Releases. Upon execution of this Agreement, Buyer shall cause Marino to be released from any and all personal guarantees of the obligations of Marino Electric Company or in connection with the Business of the Company.

9.3 Cooperation in Litigation. In the event and for so long as any party is contesting, pursuing or defending against any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand or pursuing any claim in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing involving the Business (the "Litigating Party"), the other party (the "Cooperating Party") shall use its commercially reasonable efforts to cooperate fully with the Litigating Party and its counsel in the contest, pursuit or defense, make available its personnel, and provide such testimony, information and access to its books and records as shall be necessary or reasonably desirable in connection with the contest, pursuit or defense. The Litigating Party shall pay or reimburse the Cooperating Party for reasonable travel and meal charges of the employees and other reasonable out-of-pocket expenses of the Cooperating Party incurred in connection therewith (unless the Litigating Party is entitled to indemnification therefor, or is required to bear additional expenses, under Section 7).

9.4 Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Seller and Buyer.

9.5 Third Party Rights. The provisions of this Agreement are intended for the sole benefit of the parties and shall not inure to the benefit of any other person or entity (other than permitted assigns of the parties or as reflected in section 9.4 above.)

9.6 Governing Law. This Agreement is being delivered and is intended to be performed in the State of Illinois and shall be construed and enforced in accordance with the laws thereof.

9.7 Counterparts and Headings. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. All headings in this Agreement are inserted for convenience of reference only and shall not affect its meaning or interpretation.

9.8 Severability. Should any term, provision or section hereof be held to be invalid, such invalidity shall not affect any other provisions or sections hereof or thereof which can be given effect without such invalid provision or section, all of which shall remain in full force and effect.

9.9 Further Assurances. The parties shall execute such further documents, and perform such further acts, as may be necessary to consummate the transactions herein.

9.10 Variations in Pronouns. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

9.11. Entire Agreement. This Agreement represents the entire agreement and understanding of the parties hereto and all prior and concurrent agreements, understandings, representations and warranties in regard to the subject matter hereof are and have been merged herein.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement the day and year first above written.

SELLER:

/s/Joseph Marino

Marino Electric Inc., by

Joseph Marino its President

JOSEPH MARINO:

/s/Joseph Marino

Joseph Marino, individually

BUYER:

/s/Kevin McEneely

ELECTRIC CITY CORP. by,
Kevin McEneely, its Secretary

DISTRIBUTOR AGREEMENT

THIS DISTRIBUTOR AGREEMENT (the "Agreement") is made by and between Electric City Corp., a Delaware corporation ("Company") and Electric City of Illinois LLC ("Distributor") this 7th day of September, 1999.

RECITALS

A. The Company's Business. The Company is presently engaged in the business of selling an energy efficiency device, which is referred to as an "Energy Saver" which may be improved or otherwise changed from its present composition (the "Products"). The Company may engage in the business of selling other products or other devices other than the Products, which will be considered Products if Distributor exercises its options pursuant to Section 7 hereof.

B. Representations. As an inducement to the Company to enter into this Agreement, the Distributor has represented that it has or will have the facilities, personnel, and financial capability to promote the sale and use of Products. As an inducement to Distributor to enter into this Agreement the Company has represented that it has the facilities, personnel and financial capability to have the Products produced and supplied as needed pursuant to the terms hereof.

C. The Distributor's Objectives. The Distributor desires to become a distributor for the Company and to develop demand for and sell and distribute Products solely for the use within the State of Illinois, including but not limited to public and private entities, institutions, corporations, public schools, park districts, corrections facilities, airports, government housing authorities and other government agencies and facilities (the "Market").

D. The Company's Appointment. The Company appoints the Distributor as an exclusive distributor of Products in the Market, subject to the terms and conditions of this Agreement.

1. ESTABLISHMENT OF DISTRIBUTORSHIP

1.1 Grant and Acceptance. Company hereby appoints Distributor as Company's exclusive distributor within the Market and grants to Distributor the exclusive right to sell and distribute Products within the Market, and Distributor hereby accepts such appointment and such grant, in accordance with the

terms and conditions of this Agreement. Distributor acknowledges that customers of other distributors of the Products may have sites, locations or operations in the Market, which will use the Products. Distributor will sell any and all Products required by such customers in the Market to those customers. Distributor also acknowledges that if its customers have sites, locations or operations outside the Market, in the market of another exclusive distributor of the Products, those customers will be required to purchase products from the applicable exclusive distributor in that market; otherwise, Distributor shall be free to sell to its customers in any market which does not have another exclusive distributor.

1.2 License. The Company hereby grants the Distributor the right to do business and use the name "Electric City of Illinois" or a similar variation thereof (collectively the "Names") for use under this Agreement. Distributor may file with the appropriate state and local authorities assumed name certificates as required. Copies of all documents relating to the use of the Names shall be forwarded to the Company. Upon termination of this Agreement Distributor shall have no further right to the Names and said License to use the Names shall terminate. Distributor shall have no right to sublicense the Names or to do business under any other names without the Company's prior approval in writing. The parties acknowledge that the terms herein consist of there terms for Illinois. At the request of either party, a new agreement reflecting the terms and conditions of this Agreement, may be executed for each state or entity representing each state.

1.3 Term. The term of this Agreement shall be ten (10) years (the "Term") which shall commence on the date upon which the Company delivers to Distributor the last Sample, as defined hereinafter. If Distributor complies with all of the terms of this Agreement, the

Agreement shall be renewable on an annual basis for one (1) year terms for up to another ten (10) years on the same terms and conditions as set forth herein. All renewals of this Agreement shall be on the same terms and conditions as are set forth herein.

1.4 Company's Obligation. Company shall sell and deliver as provided in Section 2.3 of this Agreement to Distributor on the price terms set forth in this Agreement or as amended from time to time such quantity of Products as Distributor from time to time orders from Company. Company shall promote and advertise the Products generally, at its own expense, and shall furnish Distributor copies at all advertisement and promotional materials.

1.5 The Distributor's Obligation. The Distributor, at its own expense, shall promote the distribution, sales, and use of Products in the Market.

1.6 Distributor's Terms and Minimum Expectations. In order to maintain the exclusive rights to sell, lease, distribute and service Products in the Market, the Distributor must use all commercially reasonable efforts to purchase for sale to subdistributors the following minimum quantities of the Products from the Company:

On the commencement of the Term Distributor will issue to the Company an irrevocable letter of credit ("LC") in the amount of Five Hundred Thousand Dollars (\$500,000), the form of which is attached hereto as Exhibit A and incorporated herein by reference. The LC shall have a two (2) month term, and shall be renewed for five (5) consecutive bimonthly periods. A minimum of a \$250,000.00 purchase order must be received by Company by the first of each month for a total (12) month period. The Company may draw funds from the LC to pay for Distributor's purchases, which are not paid according to the terms in Section 2.7. Prices for the EnergySaver units are

provided by the Company as Exhibit C. The Company will be entitled to draw against the LC pursuant to the terms of the LC.

- (A) 375 units in the first Product Year (1999)
- (B) 750 units in the next succeeding Product Year; (2000)
- (C) 937 units in the next succeeding Product Year; (2001)
- (D) 1,171 units in the next succeeding Product Year; (2002)
- (E) 1,463 units in the next succeeding Product Year; (2003)
- (F) 1,828 units in the next succeeding Product Year; (2004)
- (G) 2,285 units in the next succeeding Product Year; (2005)
- (H) 2,856 unit each in the last three years of the initial Term of this Agreement and any renewals thereof.

For purposes of this Agreement, a Product Year shall be the twelve (12) month period following the commencement of the initial Term of this Agreement and each twelve (12) months thereafter. Distributor's expected sales shall include the purchase of the Samples as defined hereinafter.

Sales in excess of the expected sales which are actually made in a Product Year may be applied to meet the expectations for the next Product Year. Any such carry-over from one year to the next Product Year may not be considered in determining whether there is a carry-over from that next Product Year. Thus, by way of example and not limitation, if there was an expectation of 50 in year one and 200 for year two and 60 units are sold in year one and 195 units are sold in year two, the expectation for year two will have been met, but there will be no carry-over to year three. If the Distributor shall fail to purchase the minimum number of units in any year, the Distributor's exclusive rights to sell and distribute the Product in the Market, may at Company's sole option, be reevaluated.

Company agrees that Distributor shall not be liable or subject to reevaluation for failure to meet expectations due to any occurrence beyond Distributor's reasonable control, including, but not limited to, Acts of God, fires, floods, wars, sabotage, accidents in shipping, labor disturbances, weather conditions, governmental regulation, lack of Company performance, delay by Company, failure of Company to honor warranties or otherwise materially support the Products.

The aggregate units to be sold on an annual basis described above are for the Illinois distributorship on an aggregate basis.

1.7 Relationship of Parties. The relationship between the Company and the Distributor

is that of vendor and vendee. This Agreement does not create the relationship of principal and agent between the Company and the Distributor for any purpose whatsoever. This Agreement shall not be construed as constituting the Distributor and the Company as partners, joint venturers, or as creating any other form of legal association or arrangement which would impose liability upon one party for the act or omission of the other party. Neither party is granted any express or implied right of authority by the other party to assume or to create any obligation or responsibility on behalf of or in the name of the other party, or to bind the other party in any manner or thing whatsoever.

2. PURCHASE OF PRODUCTS

2.1 Orders. The Distributor shall order Products from the Company on a purchase order form mutually acceptable to the Company and Distributor and which is consistent with Exhibit B hereto, and which incorporates the terms and provisions of this Distributor Agreement. The Distributor shall not order or purchase Products from any source other than the Company. All orders shall be subject to acceptance and confirmation by the Company. Distributor may cancel an order that is properly cancelled by Distributor's customer, unless the Company has commenced production which is in any way customized for that customer. The Distributor shall annually provide the Company with a non-binding forecast of orders for Products for the succeeding 12-month period.

2.2 Shipment. The Company and the Distributor shall jointly determine shipment dates. The Company shall use commercially reasonable efforts to ship promptly all orders for Products received from the Distributor. In addition to any other remedy which this Agreement provides to Distributor against Company, if Company fails to deliver or delays in delivering Products as were ordered by Distributor within 45 days after their required delivery date, and if as a result of such failure or delay Distributor loses its customer's orders for those Products, the number of units which Distributor ordered but were not timely delivered to Distributor or to Distributor's customer will be credited against Distributor's minimum expectation as specified on Section 1.6 of this Agreement. The Company may refuse to accept a purchase order on the grounds that it cannot meet the delivery schedule therein, and if as a

result of such failure or delay Distributor loses its customer's orders for those Products, the number of units which Distributor ordered but were not timely delivered to Distributor or to Distributor's customer will be credited against Distributor's minimum. Distributor shall make reasonable efforts to notify the Company of the proposed delivery schedule before accepting a customer order and shall give the Company written notice of any customer purchase orders which imposes liability for late shipment and neither the Distributor nor the Company shall have a liability for consequential or liquidated damages pertaining to late delivery unless Company specifically acknowledges and agrees in writing to the same. The Distributor agrees that the Company shall not be liable for its failure to perform due to any occurrence beyond the Company's reasonable control, including, but not limited to, acts of God, fires,

Page -4-

floods, wars, sabotage, accidents in shipping beyond the Company's control, labor strikes other than strikes against the Company itself, weather conditions or foreign or domestic government regulation or authority which directly affects Company's ability to deliver Product.

2.3 Delivery. Other than "drop ship" deliveries, all deliveries made pursuant to this Agreement shall be FOB the Company's facilities located within the continental United States by a carrier authorized by the Distributor.

2.4. Prices.

(A) Prices For Basic Units. The prices for Products in the first Product Year are supplied by Company as Exhibit C.

(B) Inflation Price Adjustment. The prices set forth in Section 2.4(a) shall be subject to adjustment annually on the first day of each Product Year beginning in the calendar year 2000 and on the first day of each succeeding Product Year for the remainder of the Term and all renewals of this Agreement in proportion to the increase or decrease in the Consumer Price Index (CPI) as compared to the CPI as

it existed on the first day of the Term of this Agreement. The Company also reserves the right to increase or decrease the price per unit based on Company wide changes in unit prices to all distributors of the Company, provided however, that any price changes, other than those based on the CPI, shall be uniformly applied to all distributors of the Products and shall reasonably applied to all distributors of the Products and shall reasonably reflect Company's costs of manufacturing the Products and/or market demand for the Products, provided further than any increase in price based upon market demand shall not be so great as to deprive Distributor of its normal and customary profit margin. The Company agrees to exercise this right in good faith, and consider all circumstances of the Distributor and the Company. The CPI referred to herein is issued by the Bureau of Labor Statistics of the U.S. Department of Labor. Should the Bureau of Labor Statistics discontinue publication of the CPI, the parties shall accept comparable statistics on the purchasing power of the consumer dollar as published at the time of said discontinuation by responsible periodical or recognized authority to be chosen by the parties.

2.5. Resale Prices. The Distributor may resell Products at such price, as the Distributor, in its sole discretion, shall determine. While the Company has the right to suggest a range of manufacturer's suggested retail prices for the Products, the distributor is not obligated to set retail prices within the Company's suggested range of retail prices.

2.6 Product Returns.

Page -5-

(A) Non-defective Products. Unless the Company has first authorized or permitted the return of any non-defective Products and except as otherwise permitted or required herein, the Company shall not be obligated to accept the return from the

Distributor of any non-defective Products, nor to make any exchanges therefor, nor to credit the Distributor therefor. If Company does not give Annual Notice pursuant to Section 3.1 hereof, Distributor may, within 90 days of modification, improvement or alteration, return the Products to the Company. The Company shall not have any obligation with respect to Products after 365 days following delivery to Distributor, except as provided herein.

(B) Defective Products. In the event of any damages or other defect in a Product which is discovered by Distributor within 365 days of satisfactory installation of a Product at Distributor's or a subdistributor's customer, the Distributor shall promptly report the same to the Company and reasonably demonstrate the defect to the Company. If the Distributor reasonably demonstrates that the Company is responsible for such damage or defect, the Company shall promptly deliver and install at the Company's expense, additional or substitute Products to the subdistributor's customer without additional cost or charge to the Distributor or the customer for material, labor, shipping, insurance or any other charge.

2.7 Payment Terms. Distributor shall pay Company within thirty (30) days of Distributor's or, as the case may be, the end-user's receipt of Products.

2.8 Company Cooperation. The Company shall cooperate with the Distributor in obtaining all necessary permits and approvals to permit the use of the Products. The Company shall bear responsibility for any permits needed to manufacture the Products and Distributor shall bear responsibility for any permits needed to distribute the Products.

3. PRODUCTS AND WARRANTY

3.1 Product Improvements by the Company. At the Company's sole discretion, and at any time, the Company may give the Distributor at least 90 days advance notice ("Annual Notice") of any modification, improvement or alteration of Products ("New Products") and development of new models of Products (collectively with "New Products", "Improved Products"). Except for the Improved Products for which the Distributor receives the Annual Notice, the Company shall sell Improved Products to Distributor only with the consent of the Distributor. Any Improved Products shall be subject to the provisions of this Agreement. Old Products will remain available unless

Improved Products perform at the same or better levels and are offered at reasonably similar prices or at prices increases, which reasonably reflect improvements in performance.

- 3.2 Product Improvements by the Distributor. The Distributor shall disclose to the Company any modifications to Products requested by end-users or other proposals for Product improvement from end-users or the Distributor, but shall have no right to make modifications without Distributor's consent.
- 3.3 Warranty. Company shall at all times make reasonable efforts to maintain quality control and to deliver Products to Distributor which, when received by Distributor, or, as the case may be, the end-user, are properly and adequately packaged and contained, fully assembled (except for miscellaneous components which may be shipped separately to prevent damage in transit), fully functional and otherwise in conformance with the warranties set forth herein. Company warrants that the Products will be designed, manufactured, constructed, assembled and packaged in a workmanlike manner and that such Products shall be fully functional and fit for their intended purposes. Company further warrants that the Products sold hereunder shall be free from defects in design, materials and workmanship for a period of twenty-four (24) months after delivery to Distributor's end-user. The Company shall not be liable for defective Products, except as provided in this Agreement. The Distributor at all times shall comply with all requirements of the Magnuson-Moss Warranty-Federal Trade Commission Improvement Act and similar federal and state laws and regulations.
- 3.4 Warranty Work. If, within the twenty-four (24) month warranty period set forth above, Company received from Distributor or any of Distributor's end-user's a notice which may be oral notice confirmed in writing) that any of the Products sold hereunder do not meet the Warranties specified above, Company shall thereupon correct each such defect by providing the necessary repairs, and/or replacement parts, or if necessary, Products. Company shall promptly respond to any timely notice of defect. Unless otherwise expressly agreed to in writing by

Distributor or Distributor's and-user, Company shall bear the reasonable expense of all labor, materials and shipping expended or used in connection with the correction of any defects in the Products occasioned by the non-conformance of the Product with Company's warranty as set forth herein. Company shall be entitled to dispute whether a Product is defective. In the event that Company is unable or unwilling to promptly perform any warranty work without reasonable cause and following full and fair opportunity to do so, or in the event of the necessity for emergency repairs of a defective Product for which there is no reasonable possibility of performance by Company, Distributor may perform such warranty work or hire a third party to perform such warranty work and the reasonable cost thereof shall be paid by Company.

Page -7-

- 3.5 Service of Products in Territory. Within thirty (30) days after the execution of this Agreement, the Company and the Distributor shall mutually agree upon a reasonable schedule of charges for after market parts and services provided by the Company or the Distributor so that such charges do not adversely affect the marketability of the Products.
- 3.6. Non-Disclosure of Confidential Information. None of the parties hereto nor their associated or affiliated or affiliated companies shall during the term of this Agreement or thereafter disclose any confidential information obtained or acquired by them in connection with the Products and the business of the other, including, without limitation, trade secrets, business techniques, technical information, customer and potential customer lists, marketing data and information, prices, improvements to the Products in various stages of development, processes, or other confidential information relating to the Products or the business of the Distributor, except that either party shall be permitted to disclose (x) all or portions of such confidential information on a strictly need-to-know basis to the extent required by an order of a court of competent jurisdiction or by the order or demand of a regulatory body having jurisdiction over one or both parties and (y) any of such confidential information that is the sole property of the party making the disclosure and does not include any information owned by the other party. The Distributor shall not disclose this agreement except upon consent of Company. Confidential information shall not include

information which:

- (A) Is or becomes generally available to the party who desires to disclose such information (or its associated or affiliated companies) (a "Disclosing Party") other than as a result of a breach of this Agreement or some other unlawful means;
- (B) Becomes available to the Disclosing Party on a non-confidential basis from a third party who is under no confidentiality or nondisclosure obligation with respect to such information; or
- (C) Was known to the Disclosing Party on a non-confidential basis prior to the disclosure thereof to such disclosing Party by a party to this Agreement.

4. DURATION AND TERMINATION

4.1 Duration. Unless earlier terminated otherwise provided therein, this Agreement, subject to the commencement date established in Section 1.3, shall be effective immediately. Distributor shall submit written reports to the Company each quarter during the first year of the Term, commencing ninety (90) days after execution of this Agreement, describing its efforts, the potential customers it has approached and the status of its efforts.

4.2 Termination for Cause. Either party may terminate this Agreement upon 30 days

Page -8-

prior written notice to the other upon the occurrence of any of the following events: (A) the Distributor's failure to make full and prompt payment to the Company of all sums due and owing to it; (b) either party's default in the performance of any of the material, terms, conditions, obligations, undertakings, covenants or liabilities set forth herein and such default is not cured within a commercially reasonable time after the defaulting party has been notified of the default by the other party and (c) as otherwise expressly provided herein. In the event either party (a) becomes

adjudicated insolvent, (b) discontinues its business, (c) has voluntary or involuntary bankruptcy proceedings instituted against it, or (d) makes an assignment for the benefit of creditors, the other party shall be entitled to terminate this Agreement effective immediately upon written notice.

4.3 Accrued Obligations. In the event that either Distributor or Company fails to comply with the terms of this Agreement, both Distributor and Company acknowledge and agree that in addition to any claim for damages either party may have arising from the default of the other, they shall have the right to seek equitable relief by way of a temporary restraining order, preliminary injunction, permanent injunction and such other equitable relief as may be appropriate. In the event a party seeks the equitable relief of a temporary restraining order, preliminary injunction, permanent injunction, mandatory injunction or specific performance both parties acknowledge that they shall not be required to demonstrate the absence of an adequate remedy at law, and neither party shall be required to post bond as a precondition to obtaining a temporary restraining order or preliminary injunction. The termination of this Agreement shall not relieve either party hereto from obligations which have occurred pursuant to the provisions of this Agreement prior to its termination, nor shall it release either party hereto from any obligations which have been incurred as a result of operations conducted under this Agreement.

4.4 Repurchase of Products. Upon the expiration or termination of this Agreement, pursuant to Section 4.1 or 4.2 hereof, the Company may, at its option to be exercised within 30 days of the date of the termination of this Agreement, and in its sole discretion, repurchase any Products in the possession of the Distributor at the net invoice price paid by the Distributor to the Company less any applicable special allowances, discounts, shipping or allowances for cooperative advertising. If Company terminates the Agreement without cause and for reasons other than Distributor's failure to meet its minimum expectations; it shall repurchase from Distributor any unopened Product, and shall bear all shipping, handling and related costs notwithstanding any other remedies to which Distributor may be entitled. On demand and tender of the repurchase price, the Distributor shall be obligated to deliver such Products to the Company. The Company reserves the right to reject any Products that are not factory sealed and in new and unused condition. Repurchased Products shall be shipped at the Company's expense, and the Company may offset any indebtedness of the Distributor to the Company against the repurchase price of such Products. Following expiration or termination of this Agreement, the Distributor may continue to sell any Products in the Market which are in its inventory

and which the Company has not repurchased.

5. REPRESENTATIONS AND WARRANTIES AND OTHER MATTERS

5.1 Representations and Warranties of Company.

- (A) The Company represents that, to the best of its knowledge, Products are in compliance with all laws, and that the Products will not be hazardous or dangerous when used for their intended purpose. Products do not cause harmful emissions or other environmental hazards and Products do not violate or infringe any patents, copyrights, trademarks or other rights of any third party(ies). Company further represents and warrants that its Products will perform as advertised and promoted by the Company, and will be approved or certified by Underwriters Laboratory.
- (B) The Company will make available to Distributor comprehensive technical support for the first Product Year. Distributor will have direct access to (a) the Company's engineering consultants and (b) the patent holder's technicians. Company's representatives will make themselves available three days per month in the first Product Year to consult with and train Distributor. All costs and expenses associated with the services provided to Distributor hereunder, including travel, lodging, engineering consultants' fees and employee time will be paid by Distributor.
- (C) Company will timely furnish all of Distributor's requirements for Products within the Market, provided it is given adequate notice of Distributor's requirements and a full and fair opportunity to fulfill the same.

5.2 Representations and Warranties of Distributor.

- (A) Distributor shall be entirely responsible for

learning, understanding and training about the Products, the costs of advertising and promoting the Products in the Market through the Term of this Agreement. Distributor shall not issue, print or disseminate any information about the Products in the first Product Year without the express written consent of the Company.

(B) Distributor will not engage the services of any engineering or consulting firm without the express written consent of the Company.

5.3 Indemnification. Company and Distributor agree to indemnify, defend and hold each other harmless from any and all suits, claims, obligations, liabilities, damages, losses and the like (including attorneys' fees and costs) relating to or arising out of: (A) any breach of any material representations, warranties, covenants, obligations, agreements or duties in connection with this Agreement; (b) any negligence or fault; (c) any violation by either of them of the patent, copyright, trademark or other

Page -10-

intellectual property rights of third parties. In addition, Company agrees to indemnify, defend and hold harmless Distributor from and against all suits, claims, obligations, liabilities, damages, losses and the like (including attorneys' fees and costs) arising out of or related to Company's manufacture or design of the Products, provided that Distributor is not at fault in connection with the same, and Distributor agrees to indemnify, defend and hold harmless Company from and against all suits, claims, obligations, liabilities, damages, losses and the like (including a attorneys' fees and costs) arising out of or related to Distributor's sales, marketing practices or unauthorized Product alteration (provided that Company is not at fault in connection with same).

5.4 Product Liability Insurance. Company will carry a reasonable amount of product liability insurance through a reasonably acceptable products liability insurance company and will name

the Distributor as an additional insured under that policy. Company will make reasonable efforts to procure a policy, which is non-cancelable, except upon thirty (30) days, advance notice to the Distributor.

5.5 No License. The Distributor acknowledges and agrees the except as provided by Section 1.2 of this Agreement, this Agreement will not be construed as granting by implication, estopped or otherwise any license or other right of use with respect to any present or future patent, copyright, trademark, trade name or other proprietary right owned by or licensed to the Company or any of its affiliates.

5.6 No Action to Invalidate. During the Term of this Agreement and for three years thereafter, the Distributor (on behalf of itself and each of its affiliates) agrees not to commence, or provide any information to or otherwise assist any person or entity in connection with, any suit, action or proceeding contesting the ownership, validity or enforceability of any patent, copyright, trademark, trade name or other propriety right owned by or licensed to the Company, whether currently existing or hereinafter invented, developed or acquired unless required to by court order. The Distributor agrees to inform the Company promptly and cooperate with the Company in the event the Distributor obtains knowledge of any such suit, action or proceeding which has been initiated or is contemplated by any other person or entity.

5.7 Nonsolicitation.

(A) During the Term of this Agreement and for a period of twelve (12) months thereafter, the Distributor (on behalf of itself, each of its affiliates and each of their respective representatives) agrees that it will not directly or indirectly solicit or hire any executive, managerial or technical employee of the Company or any of its affiliates.

(B) Distributor further agrees that it will not interfere with or otherwise disrupt the business relations between the Company or nay of its affiliates and any of their current or prospective customers, suppliers or distributors, during the

Term of the Agreement and for a period of eighteen (18) months thereafter, nor will Distributor solicit any customer or potential customer of Company to purchase a competitive product during that period.

- 5.8. Nonpublic Information. The Distributor acknowledges that is it aware that the securities laws prohibit any person who has material, non-public information concerning the Company or the matters which are the subject of this Agreement from purchasing or selling securities of the Company (or options, warrants and rights relating thereto) and from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

6. INTERPRETATION AND ENFORCEMENT

- 6.1 Assignment. No assignment of this Agreement or any right accruing hereunder shall be made by the Distributor in whole or in part, without the prior written consent of the Company, which consent shall not be unreasonably withheld. As a condition to obtaining such consent, the Assignee of Distributor's interest hereunder shall first agree in writing in form and substance satisfactory to the Company, that is shall assume and be liable for the performance of all obligations imposed by this Agreement on Distributor, whether such obligations have then accrued are owing, or are yet to be performed, and shall demonstrate that is has the economic, and with approval of the assignment, the legal capability to perform all of the obligations of Distributor hereunder. Company may assign its interest in this agreement to any person or entity which has authority to fulfill Company's obligations hereunder and which has the economic ability to perform its obligations hereunder. Upon the assignment of a party's interest and rights in this Agreement the assigning party shall be relieved of all further obligations imposed by this Agreement.
- 6.2 Nonwaiver of Rights. Failure of either party to enforce any of the provisions of this Agreement or any rights with respect thereto or failure to exercise any election provided for herein shall in no way be a waiver of such provisions, rights or elections or in any way affect the validity of this Agreement. The failure of either party to exercise any of said provisions, rights or elections shall not preclude or prejudice such party from later enforcing or exercising the same or any other provisions, rights or elections which is may have under this Agreement.

6.3 Invalid Provisions. If any terms, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

6.4 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, or sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally,

Page -12-

telegraphed, telexed or sent by facsimile transmission or, if mailed, two (2) business days after the date of deposit in the United States mail, by certified mail return receipt requested, as follows:

If to the Distributor to:
Electric City of Illinois L.L.C.
8628 Oketo Avenue
Bridgeview, IL 60455
Facsimile No. (708) 598-4671
Attn: Jim Stumpe

With a copy to:
Thomas V. McCauley
200 W. Adams, Suite 2500
Chicago, IL 60606
Facsimile No. (312) 346-9316

If to Company to:
Electric City Corp.
1280 Lanmeier Rd.
Elk Grove Village, IL 60007
Attn: Joseph Marino, President

With a copy to:
Kwaitt & Ruben, Ltd.
211 Waukegan Road
Suite 300
Northfield, Illinois 60093

- 6.5 Entire Agreement. This Agreement, together with all exhibits attached hereto which are hereby incorporated by reference, supersedes any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof and contains of the covenants and agreements between the parties with respect to said matter. This Agreement may not be altered, amended or modified, except by written instrument signed by the parties hereto.
- 6.6 Sample Products. Company will, during the Term of this Agreement (and any renewal term), provide Distributor, at Distributor's cost pursuant to the terms of this Agreement, with five (5) sample units (the "Sample" or "Samples") for use by Distributor in promoting sales. Distributor shall use the Samples for purposes of permitting potential customers to use the Products in the field. The Samples purchased by Distributor hereunder shall count toward the minimum expectations under this Agreement.
- 6.7 Time of the Essence. Time is of the essence of this Agreement.

Page -13-

- 6.8 Force Majeure. Neither party to this Agreement shall be liable to the other party, nor shall be subject to injunctive relief by the other party if that party's performance of its duties or obligations under this Agreement is the consequence of Force Majeure as defined in Section 2.2 hereunder.
- 6.9 Governing Law. This Agreement is to be construed according to the laws of the State of Illinois.
7. NEW PRODUCTS
- 7.1 Right of Option. Should Company introduce other products or devices as contemplated by recital paragraph "A", Distributor shall have the option of becoming Company's exclusive distributor of such other Products or devices within the Market.
- 7.2 Exercise of Option. Distributor shall exercise its option to become exclusive Distributor of other Products or devices by serving written notification on Company of its election to

become exclusive distributor within thirty (30) days upon which Company informed Distributor in writing of Company's intention to introduce other Products or devices. If Distributor does not exercise its option as herein provided, Company may distribute the other Products or devices within the Market itself or through other distributors.

7.3 Other Agreements. The terms pursuant to which such other Products or devices shall be sold by Company to Distributor shall be determined by a separate agreement, but such agreement shall be essentially on the same terms and conditions as herein provided, understanding that such terms as price, quotas, and length of the term of the agreement shall be reasonably adjusted to reflect the nature of the other Product or device which is the subject of the agreement.

In witness whereof the parties have executed this Agreement as of the date first abovementioned.

Electric City Corp.

Electric City of Illinois L.L.C.

By: /s/Joseph Marino

President

By: Jim Stump

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K.

</LEGEND>

<CIK> 0001065860

<NAME> ELECTRIC CITY CORP.

<CURRENCY> dollars

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(.36)
(.36)

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