

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF ENERGY RECOVERY, INC.**

This Charter of the Audit Committee (this “Charter”) has been adopted by the Board of Directors (the “Board”) of Energy Recovery, Inc. (the “Company”). The Audit Committee (the “Committee”) shall review and reassess this Charter annually and recommend any proposed changes to the Board for approval.

A. Membership

1. Number and Qualifications: The Committee shall consist of at least three (3) members of the Board. Each Committee member shall meet the independence requirements of The Nasdaq Stock Market and the United States Securities and Exchange Commission (the “SEC”), as determined by the Board, and any other requirements set forth in applicable laws, rules and regulations. All Committee members shall in the judgment of the Board have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. At least one (1) Committee member shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background, which results in such member’s financial sophistication. At least one (1) Committee member shall in the judgment of the Board be an “audit committee financial expert” as such term is defined by the SEC. No Committee member shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the three (3) years prior to the proposed appointment of such member to the Committee.
2. Appointment and Removal: Committee members shall be appointed by a majority vote of the Board on the recommendation of the Nominating and Corporate Governance Committee. Each prospective Committee member shall carefully evaluate existing time demands before accepting Committee membership. Subject to any requirements of the listing standards, the Board may appoint Committee members in accordance with the Company’s bylaws. Committee members will serve for such terms as the Board may fix, and in any case at the Board’s will, whether or not a specific term is fixed. The Committee members may be removed, with or without cause, by a majority vote of the Board.

The Committee shall include a Committee Chair. The Committee Chair shall be appointed by a majority vote of the Board. The Committee Chair shall be entitled to chair all regular sessions of the Committee, add topics to the agenda, and cast a vote to resolve any ties. In the absence of the Committee Chair, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting.

3. Compensation: No member of the Committee shall receive compensation other than (i) director’s fees for service as a director of the Company, including reasonable compensation for serving on the Committee and (ii) a pension or similar compensation for prior service with the Company, provided that such compensation is not contingent on continued or future service to the Company.

B. Purpose

The purpose of the Committee is to assist the Board in its oversight of the Company's accounting and financial reporting processes and the audits of the Company's financial statements, including (i) the quality and integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditors' qualifications and independence and (iv) the performance of the Company's internal audit functions and independent auditors, as well as other matters which may come before it as directed by the Board. In fulfilling its purpose, the Committee shall maintain free and open communication with the Company's independent auditors, internal auditors and management.

C. Duties and Responsibilities

In furtherance of its purpose, the Committee shall have the following duties and responsibilities:

Financial Statement and Disclosure Matters

1. To review major issues regarding accounting principles, policies, practices and judgments and financial statement presentations, including (i) any significant changes to the Company's selection or application of accounting principles, (ii) the adequacy and effectiveness of the Company's internal control over financial reporting and (iii) any special audit steps adopted in light of control deficiencies.
2. To discuss with management and the independent auditors the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations," together with the results of the independent auditor's annual audit or interim financial review and any report or annual required actuarial opinion rendered in connection therewith, as the case may be, prior to filing or distribution.
3. To recommend to the Board whether the audited financial statements and accompanying notes should be included in the Company's annual report on Form 10-K.
4. To prepare and approve the audit committee report required to be included in the Company's annual proxy statements pursuant to the proxy rules promulgated by the SEC or, if the Company does not file a proxy statement, in the Company's annual report.
5. To discuss with the independent auditors reports from management and the independent auditors regarding (i) all critical accounting policies and practices used by the Company, (ii) all material alternative accounting treatments within GAAP that have been discussed with management, including the ramifications of the use of such alternative treatments and the treatment preferred by the accounting firm and (iii) other material written communications between the accounting firm and management.
6. To discuss with management and the independent auditors the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles and underlying estimates in its financial statements.
7. To review the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

8. To review the type and presentation of information to be included in the Company's earnings press releases, paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information, as well as review and discuss earnings press releases and any financial information and earnings guidance provided to analysts and rating agencies.
9. To discuss periodically with the Company's CEO and CFO (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data, (ii) any significant changes in internal controls, including internal control over financial reporting, or other factors that could significantly affect such internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses and (iii) any fraud involving management or other employees who have a significant role in the Company's internal controls.
10. To discuss with management and the independent auditors the Company policies with respect to risk assessment and risk management and review contingent liabilities and risks that may be material to the Company and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks. To discuss with the appropriate officers of the Company the major financial risk exposures of the Company and the steps management has taken to monitor and control such exposures.
11. To review the internal control reports of management prepared pursuant to the rules and regulations of the SEC promulgated under the Sarbanes-Oxley Act of 2002 prior to filing with the SEC.

Oversight of the Company's Relationship with the Independent Auditor

12. To directly appoint (subject to stockholder ratification), retain, compensate, evaluate and oversee the independent auditors engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and to resolve any disagreements between management and the independent auditors. To approve in advance, or, in the alternative, to establish and periodically review pre-approval policies and procedures for all audit engagement fees and terms, including the retention of the independent auditors for any significant permissible non-audit engagement or relationship. To have direct responsibility for the oversight of the independent auditors. The Committee shall inform each registered public accounting firm performing work for the Company that such firm shall report directly to the Committee. The Committee may terminate the independent auditors in its sole discretion.
13. To consider, on an annual basis, the independence of the independent auditors by (i) discussing with the independent auditors any disclosed relationships between the auditors and the Company or any other relationships that may adversely affect the objectivity or independence of the independent auditor, (ii) discussing with the independent auditors any services provided to the Company or any other services that may adversely affect the objectivity and independence of the independent auditor and (iii) taking, or recommending that the full Board take, appropriate action to oversee the objectivity and independence of the independent auditors.
14. To annually evaluate the experience, qualifications, performance and independence of the independent auditors, including their lead partners. To assure the regular rotation of the audit partners, including the lead and concurring audit partners, as required by applicable laws, rules and regulations. To consider whether there should be regular rotation of the

independent auditors. The Committee should take into account the opinions of management and the internal auditors in its evaluation of the independent auditors.

15. To establish clear guidelines for the hiring of current or former employees of the Company's independent auditors.
16. To review with the independent auditors (i) their audit plan, including its scope, staffing, locations, reliance upon management and general audit approach; (ii) any audit problems or difficulties, together with management's responses, including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management and (iii) any questions, comments or suggestions the independent auditors may have relating to the internal controls and accounting practices and procedures of the Company and its subsidiaries.
17. To obtain and review, on an annual basis, a formal written report from the independent auditors describing (i) the auditing firm's internal quality control procedures; (ii) any material issues raised within the preceding five (5) years by the auditing firm's internal quality-control reviews, peer reviews, or any governmental or other inquiry or investigation relating to any independent audit conducted by the auditing firm, and the steps taken to deal with such issues; and (iii) all relationships between the independent auditors and the Company, as contemplated by Independence Standard Board Standard Number 1.
18. To ensure that no improper influence on the independent directors is exerted by any officers or directors of the Company or any person or entity acting under their direction.
19. To discuss with the independent auditors and management, as appropriate, any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 61 not otherwise addressed in this Charter.

Oversight of the Company's Internal Audit Function

20. To discuss and approve the appointment and replacement of the internal auditors.
21. To review and discuss with the internal auditors significant reports that the internal auditors prepare for management as well as management's responses to those reports.
22. To discuss with management and the independent auditors the responsibilities, budget, staffing and qualifications of the internal auditors and any recommended changes in the planned scope of the internal audit. The internal audit function, which may be outsourced to a third-party service provider other than the independent auditors, is intended to provide management and the audit committee with ongoing assessments of the Company's risk management processes and system of internal control over financial reporting.

Review of Related Party Transactions and Conflicts of Interest

23. To review and approve all related party transactions (and subsequent modifications thereto) that would be required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC and all transactions with major stockholders. In addition, to review all such transactions and related agreements or arrangements, and subsequent modifications thereto, for actual or potential conflict of interest situations on an ongoing basis.

24. Obtain reports from management, the Company's internal auditors and the independent auditors that the Company and its subsidiaries and affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.
25. Review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to the Company's Code of Business Conduct and Ethics.

Compliance Oversight Responsibilities

26. To review with the Company's legal counsel, the independent auditors, and the internal auditors on a quarterly basis, or more frequently as the Committee may deem necessary or appropriate to comply with its duties and responsibilities as set forth herein, any legal matters that could have a significant impact on the Company's financial statements or the Company's compliance with applicable laws, rules and regulations, any breaches of fiduciary duties and any inquiries received from regulators or governmental agencies.
27. To establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential and anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
28. To conduct any investigation appropriate to fulfill its responsibilities with the authority to have direct access to the independent auditors, as well as any person in the Company.
29. To perform any other activities consistent with this Charter, the Company's Certificate of Incorporation and Bylaws, as well as applicable law as the Committee or the Board deems necessary or appropriate.
30. To review and discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports and employee complaints concerning accounting or auditing matters which raise material issues regarding the Company's financial statements or accounting policies.

Other

31. To approve ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
32. To maintain flexibility in carrying out the Committee's responsibilities, policies and procedures. The Committee should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior free of conflicts of interests.
33. To keep abreast of new accounting and reporting standards promulgated by the Public Company Accounting Oversight Board, the FASB, the SEC and other relevant standard setting bodies, which are applicable to the Company.

D. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.

E. Meetings

The Committee shall meet at least quarterly, or more frequently as it may deem necessary or appropriate to comply with its duties and responsibilities as set forth herein, and all Committee members shall strive to attend all Committee meetings. The Committee meetings shall follow a set agenda established by the Committee.

The Committee Chair may call a Committee meeting upon notice to each other Committee member prior to the meeting. A majority of the Committee members, acting in person or by proxy, shall constitute a quorum. The Committee shall be responsible for maintaining minutes and other applicable records of each Committee meeting. The Committee shall report its actions and recommendations to the Board at the next Board meeting after each Committee meeting.

On a quarterly basis, the Committee shall meet separately and periodically with management, the independent auditors and those responsible for the internal audit functions to discuss any matter that the Committee or any of these groups believes may warrant Committee attention. The Committee shall also meet in an executive session as required.

F. Funding and Outside Advisors

The Committee, acting by majority vote, shall have the authority to retain, at the Company's expense, outside legal, accounting, actuarial or other advisors or experts it deems necessary to perform its duties. The Committee shall retain these advisors without seeking Board approval and shall have sole authority to approve related fees and retention terms.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any advisors employed by the Committee. In addition, the Company shall provide for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Any communication between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to pursue the privileged nature of those communications.

G. Reports to the Board and Annual Committee Evaluation

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall evaluate its own performance against the requirements of this Charter and report the results of this evaluation to the Board.

December 4, 2009

