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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 21, 2009

Energy Recovery, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-34112	01-0616867
(Commission File Number)	(I.R.S. Employer Identification No.)

1717 Doolittle Dr. San Leandro, CA 94577
(Address if Principal Executive Offices)(Zip Code)

510-483-7370
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On December 23, 2009, Energy Recovery, Inc. ("ERI") filed a Current Report on Form 8-K pursuant to Item 2.01 of Form 8-K (the "Initial 8-K") to report the completion of its acquisition (the "Acquisition") of Pump Engineering LLC ("PEI"), pursuant to a previously announced Agreement and Plan of Merger (the "Merger Agreement"), dated December 2, 2009, with PEI, CFE Acquisition Corporation, a wholly-owned subsidiary of ERI ("Merger Sub"), Roy Radakovich in his capacity as the Company Representative, and U.S. Bank National Association, in its capacity as the Escrow Agent. Pursuant to the Merger Agreement, PEI was merged with and into Merger Sub (the "Merger"), with Merger Sub which was named Pump Engineering, Inc., a Delaware corporation, being the surviving entity, as a wholly owned subsidiary of ERI. The Acquisition was completed on December 21, 2009.

At that time, we stated in the Initial 8-K, under parts (a) and (b) of Item 9.01 therein, that we would file the required financial statements and pro forma financial information by amendment , as permitted by Item 9.01(a)(4) and 9.01(b)(2) to Form 8-K. This Current Report on Form 8-K/A amends our Initial 8-K in order to provide the required financial information.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

1. The audited consolidated financial statements of PEI as of December 20, 2009 and for the period from January 1, 2009 through December 20, 2009 together with the independent auditor's report from Gilmore, Jasion & Mahler, LTD is filed as Exhibit 99.1 hereto and incorporated herein by reference.

(b) Pro Forma Financial Information.

1. The unaudited pro forma condensed combined financial information is filed as Exhibit 99.2 hereto and incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Gilmore, Jasion & Mahler, Ltd, Independent Registered Public Accounting Firm
99.1	Audited consolidated financial statements of PEI as of December 20, 2009 and for the period from January 1, 2009 through December 20, 2009.
99.2	Unaudited pro forma condensed combined financial statements as of and for the nine month period ended September 30, 2009 and for the year ended December 31, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ENERGY RECOVERY, INC.
(Registrant)

Date: **03/03/10**

/s/ Thomas Willardson
Thomas Willardson
(Chief Financial Officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-152142) of Energy Recovery, Inc., of our report dated February 10, 2010, relating to the financial statements of Pump Engineering, LLC, which appears in this Current Report on Form 8-K/A of Energy Recovery, Inc.

Gilmore, Jasion & Mahler LTD
/s/ Gilmore, Jasion & Mahler LTD

Maumee, Ohio
March 3, 2010

PUMP ENGINEERING, LLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 20, 2009

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pump Engineering, LLC
New Boston, MI

We have audited the accompanying consolidated balance sheet of Pump Engineering, LLC (the Company) as of December 20, 2009, and the related consolidated statement of operations, members' equity and cash flows for the period from January 1, 2009 through December 20, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 20, 2009, and the results of its consolidated operations and its consolidated cash flows for the period from January 1, 2009 through December 20, 2009 in conformity with accounting principles generally accepted in the United States of America.

February 10, 2010
Gilmore, Jasion & Mahler LTD

PUMP ENGINEERING, LLC
CONSOLIDATED BALANCE SHEET
December 20, 2009

ASSETS

Current assets		
Cash and cash equivalents	$	845,008
Accounts receivable - trade, net of allowance for doubtful accounts of $65,743		742,086
Inventories		2,942,612
Prepaid expenses and other assets		249,757
Total current assets		4,779,463
Property and equipment		
Building and building improvements		3,194,447
Machinery and equipment		2,546,036
Patterns, tools, jigs and fixtures		772,130
Office equipment and fixtures		592,922
Total cost		7,105,535
Less: allowance for depreciation and amortization		(2,283,100)
Net property and equipment		4,822,435
Other assets		
Construction in process		656,970
Patents, net of accumulated amortization of $202,347		87,734
Total other assets		744,704
Total assets	$	10,346,602

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Checks in excess of bank balance	$ 70,705
Accounts payable	1,302,368
Current portion of long-term debt	271,244
Current portion of capital lease obligations	175,047
Accrued liabilities	
Accrued compensation and related payroll taxes	182,356
Accrued warranty	266,721
Customer deposits	3,574,233
Total current liabilities	5,842,674
Long-term liabilities	
Long-term commitment	45,000
Long-term debt - net of current portion	1,577,902
Capital lease obligations - net of current portion	371,044
Net long-term liabilities	1,993,946
Total liabilities	7,836,620
Equity	
Members' equity	2,509,982
Total liabilities and members' equity	$ 10,346,602

The accompanying notes are an integral part of these financial statements.

PUMP ENGINEERING, LLC
STATEMENT OF CONSOLIDATED OPERATIONS
For the Period from January 1, 2009 through December 20, 2009

Sales	$	7,460,718
Cost of sales		4,787,485
Gross profit		2,673,233
Selling, administrative and research and development expenses		
Selling expenses		1,831,546
Administrative expenses		1,628,002
Research and development expenses		622,420
Total selling, administrative, and research and development expenses		4,081,968
Operating loss		(1,408,735)
Other income (expense)		
Interest expense		(101,318)
Interest income		10,914
Net other expense		(90,404)
Net loss	$	(1,499,139)

The accompanying notes are an integral part of these financial statements.

PUMP ENGINEERING, LLC
CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the Period Ended December 20, 2009

	Preferred Member Equity	Common Member Equity	Total Equity
Balance, January 1, 2009	$ 0	$ 0	$ 0
Capital contributions	2,410,000	2,148,429	4,558,429
Retirement of common member units		(35,200)	(35,200)
Distributions	(196,268)	(317,840)	(514,108)
Net loss	(179,094)	(1,320,045)	(1,499,139)
Balance, December 20, 2009	$ 2,034,638	$ 475,344	$ 2,509,982

The accompanying notes are an integral part of these financial statements.

PUMP ENGINEERING, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period from January 1, 2009 through December 20, 2009

Cash flows from operating activities	
Net loss	(1,499,139)
Adjustments to reconcile net loss to net cash	
provided by operating activities:	
Depreciation and amortization	393,707
Change in provision for doubtful accounts	4,160
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable - trade	380,403
Inventories	(1,052,343)
Prepaid expenses and other assets	(219,283)
Deposits	77,166
Increase in:	
Accounts payable	784,879
Accrued liabilities	171,202
Customer deposits	3,293,300
Other long-term liabilities	45,000
Net cash provided by operating activities	2,379,052
Cash flows from investing activities	
Purchases of property and equipment	(3,863,245)
Payments for construction in process	(656,970)
Net cash used in investing activities	(4,520,215)
Cash flows from financing activities	
Checks in excess of bank balance	70,705
Proceeds from long-term debt	1,964,530
Payments on long-term debt	(881,010)
Payments on capital lease obligations	(167,131)
Line of credit - net	(234,807)
Member contributions	2,410,000
Distributions to members	(269,796)
Retirement of common member units	(35,200)
Net cash provided by financing activities	2,857,291
Net increase in cash	716,128
Cash and cash equivalents at beginning of period	128,880
Cash and cash equivalents at end of period	845,008
Supplemental disclosure of cash flow information	
Cash paid during the period for interest	101,318
Supplemental disclosure of non-cash financing transactions:	
Distribution of building to common members	244,312
Contribution of common members' capital as a result of a change in equity structure	2,148,429

The accompanying notes are an integral part of these financial statements.

Note 1–Significant accounting policies

Principles of consolidation

Pump Engineering, LLC (the Company) is a Michigan Limited Liability Company. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary: PEI Agent Inc. All material intercompany balances and transactions have been eliminated.

Nature of operations

The Company, develops and produces pumping equipment and turbines designed to desalinate salt water. These products are sold to customers throughout Europe, Australia, India, Asia, the Caribbean, the Middle East and the United States.

Effective January 1, 2009 Pump Engineering, Inc. converted the organizational structure from a Corporation, to a Limited Liability Corporation (LLC), Pump Engineering, LLC. At this time, Pump Engineering, Inc. entered into an agreement exchanging all of its assets net of the Corporation's liabilities, in exchange for 1749 class A common units or 87.45% of the LLC. New members were granted 241 preferred units and 10 class A common units equal to 12.55% of the LLC in exchange for $2,410,000 in cash.

On March 13, 2009, the Company retired 18.91 Class A common units with the payment totaling $35,200.

The Company issued 87.46 class B common units to key members of management as profit only interest during the period of January 1, 2009 through December 20, 2009. The profit only interest require no capital contributions upon issuance, but entitles each Class B common unit holders to participate in the allocation of profits and losses and distributions identical to a Class A common unit holder who contributed capital.

PEI Agent, Inc. was organized in 2006 for the manufacturing and distribution of the Company's product to its foreign customers.

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in federally insured financial institutions. At times, these deposits exceed federally insured limits; however, management monitors the soundness of these financial institutions and believes the Company's risk is negligible. At December 20, 2009, the Company's bank balance was approximately $574,000 in excess of Federal Deposit Insurance Corporation insured limits.

Note 1–Significant accounting policies – continued

Investments
Investments are recorded at quoted market prices. Current investments represent money market funds.

Accounts receivable
The Company extends credit to its customers. Payment terms from customers may provide for a 10% retainage due upon successful installation of the pump. Bad debts are provided for using the allowance method based on management's evaluation of the collectibility of outstanding accounts receivable at the end of the year, which evaluation is based on historical losses and current economic conditions. The Company does not accrue interest on past due receivable balances.

Inventories
Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method. At December 20, 2009, inventories consisted of the following:

	2009
Raw materials	$ 1,970,303
Work in process	972,309
Total inventory	$ 2,942,612

Property and equipment
Property and equipment are carried at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

The Company provides for depreciation and amortization using straight-line and accelerated methods over the estimated useful lives of the depreciable assets.

Patents
Costs incurred to obtain patents with the United States government are being amortized using the straight-line method over the estimated useful lives of 17 years. Amortization expense for the period from January 1, 2009 through December 20, 2009 was $9,842 Amortization expense for the next five years is as follows:

2010	$ 9,260
2011	9,260
2012	9,260
2013	9,260
2014	9,260
Thereafter	41,434
Total	$ 87,734

Revenue
Revenue is recognized when it is earned. Advance receipts of revenue which are recorded as customer deposits are deferred and classified as liabilities until earned.

Note 1–Significant accounting policies – continued

Advertising
The Company charges advertising costs to expense in the year incurred. Advertising expenses were $96,235 for the period from January 1, 2009 through December 20, 2009.

Research and development
The Company reports the costs of planning, designing and establishing the technological feasibility of a new process as research and development cost and such costs are expensed when incurred.

Income taxes
As a limited liability company, the Company's taxable income or loss is allocated to members in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the financial statements**.**

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Company adopted new guidance for the year ended December 31, 2009. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statement to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, tax authorities for years before 2006 and state or local tax authorities for years before 2005.

Note 2–Allocation of members' profits, losses and distributions

Preferred distributions
Each outstanding preferred unit shall accrue a preferred distribution at a rate equal to eight percent cumulative but not compounded annually on the outstanding balance on each preferred unit equal to the original purchase price for the preferred unit. The contributed value of the Company's preferred units was $2,410,000 as of December 20, 2009. These units had earned and were paid a preferred distribution totally $186,334 for the period of January 1, 2009 through December 20, 2009.

Required tax distributions
To the extent of available excess cash, the Company shall distribute to all of the members, on a quarterly basis, required tax distributions attributable to their membership interests in the Company. The required tax distributions will be based upon the estimated taxable income multiplied times the highest individual federal tax rate and two thirds of the maximum individual state income tax rate for the state of Michigan. If after the close of a fiscal period it is determined that the amount of the quarterly required tax distributions exceeded the amount actually to be paid based upon the final taxable income, the members are not obligated to refund the amount of the excess tax distribution, but instead adjust any excess cash distributions as discussed below. For the period of January 1, 2009 through December 20, 2009, the Company paid required tax distributions totaling $83,462.

Note 2–Allocation of members' profits, losses and distributions – continued

Distributions of excess cash

The Company shall distribute, on a discretionary basis, the Company's excess cash as follows: first, to all of the members, any required tax distribution; second, to the preferred members, the amount of their cumulative accrued, but unpaid preferred return; third, to the preferred members, an amount equal to their preferred adjusted capital contribution; and fourth, to all of the members pro rata among them in accordance with their proportionate shares of all units on a combined basis.

Distributions in the event of liquidation

If the Company shall liquidate then the proceeds of such liquidation shall be applied in the following order of priority: first, to the expenses of such liquidation; second, to the debts and liabilities of the Company to third parties, if any, in the order of priority provided by law; third, a reasonable reserve shall be set up to provide for any contingent or unforeseen liabilities or obligations of the Company to third parties and at the expiration of such period as the Company may deem advisable, the balance remaining in such reserve shall be distributed as provided herein; fourth, to debts of the Company to the members or their affiliates and any fees and reimbursements payable; fifth, to pay any amount of past due required tax distributions (including, without limitation, required tax distributions arising from the liquidation of the Company's assets and/or units); sixth, to the preferred members to satisfy any accrued but unpaid preferred return; seventh, to the preferred members in an amount equal to their preferred adjusted capital contribution; and eighth, to all of the members on a pro rata basis in accordance with their units (both common and preferred units combined).

Note 3–Debt

Long-term debt

Long-term debt at December 20, 2009 consisted of the following:

Note payable to a bank, payable in monthly installments of $6,000 plus interest equal to 3.00% per annum in excess of LIBOR (effective rate of 3.28%) through August 2014 when the remaining unpaid principal and interest become due and payable. This note was paid off in full subsequent to period end. (see Note 9)	$	1,476,000
Note payable in monthly installments of $11,337 including fixed interest at 7.00%, through February 2011, when the remaining unpaid principal and interest become due and payable. The obligation is collateralized by a security interest in the building.		157,347
Note payable to a bank, payable in monthly installments of $5,208, including fixed interest at 4.45% through March 2013, when the remaining unpaid principal and interest become due and payable. This note was paid off in full subsequent to period end. (see Note 9)		203,125
Vehicle loan to a bank, payable in monthly installments of $289, including fixed interest at 7.25% through February 2014, when the remaining unpaid principal and interest become due and payable. The loan is collateralized by a security interest in the vehicle.		12,674
Total		1,849,146
Less current portion of long-term debt		(271,244)
Net long-term debt	$	1,577,902

The Company's notes payable above to a bank are cross-collateralized on all bank borrowings obligations, debts and liabilities and are secured by all assets of the Company.

Maturities of long-term debt subsequent to December 20, 2009 are as follows:

Year ending December 31,		
2010	$	271,244
2011		160,617
2012		137,570
2013		90,926
2014		1,188,789
Total	$	1,849,146

Note 4–Lease, rental, and other commitments

Capital leases

The Company leases certain equipment under capital leases. The following is a schedule by years of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at December 20, 2009:

Year ending December 31,		
2010	$	214,118
2011		206,363
2012		137,600
2013		64,512
Total minimum lease payments		622,593
Less: Amount representing interest		(76,502)
Present value of minimum lease payments		546,091
Less: Current portion of capital lease obligations		(175,047)
Net long-term capital lease obligations	$	371,044

At December 20, 2009, the cost of machinery and equipment under capital lease obligations is as follows:

		2009
Machinery and equipment	$	1,325,387
Accumulated depreciation		(750,676)
	$	574,711

Operating leases

The Company leases various pieces of equipment under noncancelable operating leases expiring through the year 2014.

The following is a schedule of future minimum rental payments required under operating leases that have an initial or remaining noncancelable lease term in excess of one year as of December 20, 2009:

Year ending December 31,		
2010	$	162,706
2011		157,995
2012		154,630
2013		154,630
2014		103,087
Total	$	733,048

Total rent expense under operating leases was $56,959 for the period from January 1, 2009 through December 20, 2009.

Note 4–Lease, rental, and other commitments – continued

Other lease

The Company is obligated under a noncancelable Master Equipment Lease Agreement to a financial institution. Future minimum lease payments under these leases are $249,374.

Purchase commitment

The Company has entered into a commitment to join an industry association for the amount of$56,250. This payment is to be made in three annual installments ending in 2012. The correspondingliability has been recorded as a current liability of $11,250 and a long term commitment liability of $45,000.

Note 5–Warranty reserve

The Company warrants all products for a period of the earlier of one year after the product has been placed in service or eighteen months from the date of shipment. The Company estimates future warranty costs based on management's evaluation of the sales of products covered under the warranty.

Changes in the Company's warranty reserve at December 20, 2009:

		2009
Balance at January 1, 2009	$	93,480
Warranties issued		271,362
Settlements		(98,121)
Balance at December 20, 2009	$	266,721

Note 6–Employee retirement plan

The Company has a 401(k) profit-sharing plan for all employees who fulfill a minimum age and length of service requirement. Contributions to the profit sharing plan are discretionary by the Company, up to the maximum permitted by the Internal Revenue Code and are determined annually by the Board of Directors. The 401(k) profit sharing plan provides for the Company to match a uniform percentage of employee contributions to the plan as determined annually by the Board of Directors. There were no Company contributions made in the period from January 1, 2009 through December 20, 2009.

Note 7–Major customers

Sales include approximately $974,000 to one customer representing approximately 13% of the Company's sales for the period from January 1, 2009 through December 20, 2009.

At December 20, 2009, accounts receivable from four customers were approximately $532,000 representing 66% of the Company's receivables at December 20, 2009.

Note 8–Subsequent event

The Company has evaluated all events subsequent to the balance sheet date of December 20, 2009 through February 10, 2010, which is the date these consolidated financial statements were issued, and has determined that except as set forth below, there are no subsequent events that require disclosure under the FASB Accounting Standards Codification Topic, Subsequent Events.

On December 21, 2009, the Company was merged with Energy Recovery Inc (ERI). At this time the separate corporate existence of the Company ceased. As a result of the merger, any holder of a Company unit at the time of the transaction received the right to both a per unit cash payment, net of the cost of the transaction which totaled approximately $1,229,000, and per unit stock payment of ERI common stock. In total, the cash unit payments were $20 million and the stock unit payments amounted to 1,000,000 shares.

SUPPLEMENTARY INFORMATION

PUMP ENGINEERING, LLC
CONSOLIDATED SCHEDULE OF COST OF SALES
For the Period from January 1, 2009 through December 20, 2009

Materials	$	2,464,605
Salaries and wages		994,919
Depreciation		356,390
Outside shop services		349,404
Freight		234,824
Payroll taxes		94,219
Employee insurance		89,477
Shop supplies		52,668
Equipment rental		50,205
Utilities		30,140
Repairs and maintenance		23,343
Education and training		18,652
Amortization		9,842
Property taxes		8,511
Telephone		6,754
Travel		3,532
Total cost of sales	$	4,787,485

PUMP ENGINEERING, LLC
CONSOLIDATED SCHEDULE OF SELLING EXPENSES
For the Period from January 1, 2009 through December 20, 2009

Commissions	$	804,340
Salaries		466,333
Travel and meals		232,562
Advertising and promotions		96,235
Consulting fees		89,924
Conference expense		44,914
Payroll taxes		36,859
Employee insurance		23,001
Office		16,449
Telephone		17,182
Utilities		3,747
Total selling expenses	$	1,831,546

PUMP ENGINEERING, LLC
CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Period from January 1, 2009 through December 20, 2009

Salaries	$	599,263
Professional fees		468,889
Employee insurance		92,485
Bank charges		87,177
Outside services		61,537
Payroll taxes		52,915
Office supplies		40,919
Bad debts		38,295
Travel and meals		27,989
Depreciation		27,475
Insurance		24,403
Repairs and maintenance		23,373
Utilities		13,281
Contributions		12,540
Property taxes		11,937
Dues and subscriptions		8,235
Telephone		7,768
Auto		6,145
Equipment rental		3,304
Postage		1,992
Retirement plans		930
Other		17,150
Total administrative expenses	$	1,628,002

PUMP ENGINEERING, LLC
CONSOLIDATED SCHEDULE OF RESEARCH AND DEVELOPMENT EXPENSES
For the Period from January 1, 2009 through December 20, 2009

Salaries	$	426,651
Outside shop services		84,694
Miscellaneous		45,082
Payroll taxes		35,932
Employee insurance		22,318
Utilities		7,743
Total research and development expenses	$	622,420

Exhibit 99.2

On December 21, 2009, Energy Recovery, Inc. ("ERI") completed the acquisition of Pump Engineering, LLC ("PEI"), a privately held New Boston, Michigan based company, for cash consideration of approximately $20.0 million and 1.0 million shares of ERI common stock.

The following unaudited pro forma condensed combined financial data was prepared using the purchase method of accounting and was based on the historical financial statements of ERI and PEI. The unaudited pro forma condensed combined balance sheet as of September 30, 2009 combines the historical ERI and PEI balance sheets as if the acquisition had closed on September 30, 2009. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2009 and for the year ended December 31, 2008 combine the historical ERI and PEI statements of operations as if the acquisition had closed on January 1, 2008.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only and are not intended to represent or be indicative of the results of the consolidated results of operations or financial position that would have been reported had the PEI acquisition been completed as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial condition. Preparation of the unaudited pro forma financial information for all periods presented required management to make certain judgments and estimates to determine the pro forma adjustments such as purchase accounting adjustments, which include, among others, fair value of inventory and fixed assets acquired and amortization charges from acquired intangible assets. The unaudited pro forma condensed combined financial statements do not reflect any cost savings and/or operating efficiencies that we may achieve with respect to the combined companies.

This unaudited pro forma condensed combined financial data should be read in conjunction with the historical financial statements and accompanying notes of PEI (contained elsewhere in this Form 8-K/A), and ERI's historical financial statements and accompanying notes appearing in its historical periodic SEC filings including Forms 10-K and 10-Q.

Energy Recovery Inc
Unaudited Pro forma Condensed Combined Consolidated Balance Sheet
(in thousands)

	As of September 30, 2009				
ASSETS	**ERI**	**PEI**	**Pro forma Adjustments**		**Pro forma**
Current assets					
Cash and cash equivalents	$ 74,725	$ 734	$ (20,000)	A	$ 55,459
Restricted cash	2,938	735	5,500	A	9,173
Accounts receivable, net of allowance for doubtful accounts	10,319	870			11,189
Unbilled receivables, current	6,315	-			6,315
Inventories	10,510	2,141	917	H	13,568
Deferred tax assets, net	1,950	-			1,950
Prepaid income taxes	749	-			749
Prepaid expenses and other current assets	1,515	159			1,674
Total current assets	109,021	4,639	(13,583)		100,077
Unbilled receivables, non-current	229	-			229
Restricted cash, non-current	2,588	-			2,588
Property and equipment, net	7,031	5,422	55	G	12,508
Intangible assets, net	309	90	10,810	C	11,209
Goodwill	-	-	11,476	D	11,476
Deferred tax assets, non-current, net	106	-			106
Other assets, non-current	52				52
					-
Total assets	$ 119,336	$ 10,151	$ 8,758		$ 138,245
LIABILITIES AND STOCKHOLDERS' EQUITY					-
Current liabilities:					-
Accounts payable	$ 803	$ 435			$ 1,238
Accrued expenses and other current liabilities	4,778	1,348	300	B	6,426
Income taxes payable	38	-			38
Accrued warranty reserve	312	289			601
Deferred revenue	1,549	1,783			3,332
Current portion of long-term debt	128	269			397
Current portion of capital lease obligations	36	171			207
Total current liabilities	7,644	4,295	300		12,239
Long-term debt	245	1,596			1,841
Capital lease obligations, non-current	-	418			418
Other non-current liabilities	4	-	5,500	A	5,504
Total liabilities	7,893	6,309	5,800		20,002
Stockholders' equity:					
Common stock	50	-			50
Additional paid-in capital	100,749	-	7,100	A	107,849
Members' equity		4,271	(4,271)	F	-
Notes receivable from stockholders	(88)	-			(88)
Accumulated other comprehensive loss	(63)	-			(63)
Retained earnings (loss)	10,795	(429)	129	F, B	10,495
Total stockholders' equity	111,443	3,842	2,958		118,243
Total liabilities and stockholders' equity	$ 119,336	$ 10,151	$ 8,758		$ 138,245

Energy Recovery Inc
Unaudited Pro forma Condensed Combined Consolidated Statement of Operation
(in thousands, except per share amounts)

For the nine months ended September 30, 2009

	ERI	PEI	Pro forma Adjustments		Pro forma
Net revenue	$ 31,280	$ 6,046	$ -		$ 37,326
Cost of revenue	11,251	3,483	27	G, J	14,761
Gross profit	20,029	2,563	(27)		22,565
Operating expenses:					-
General and administrative	9,705	1,151	1,970	C, G, J	12,826
Sales and marketing	4,795	1,340	37	G, J	6,172
Research and development	2,409	440	43	G, J	2,892
Total operating expenses	16,909	2,931	2,050		21,890
Income (loss) from operations	3,120	(368)	(2,077)		675
Other income (expense):					-
Interest expense	(34)	(71)			(105)
Interest and other income	59	10			69
Income (loss) before provision for income taxes	3,145	(429)	(2,077)		639
Provision for income taxes	1,112	-	(977)	K	135
Net income (loss)	$ 2,033	$ (429)	$ (1,100)		$ 504
Earnings per share:					
Basic	$ 0.04	-	-		$ 0.01
Diluted	$ 0.04	-	-		$ 0.01
Number of shares used in per share calculations:					-
Basic	50,120	-	1,000		51,120
Diluted	52,614	-	1,170		53,784

Energy Recovery, Inc
Unaudited Pro forma Condensed Combined Consolidated Statement of Operation
(in thousands, except per share amounts)

	For the year ended December 31, 2008				
	ERI	PEI	Pro forma Adjustments		Pro forma
Net revenue	$ 52,119	$ 9,348	$ -		$ 61,467
Cost of revenue	18,933	5,538	953	G, I, J	25,424
Gross profit	33,186	3,810	(953)		36,043
Operating expenses:					-
General and administrative	11,321	1,428	2,626	C, G, J	15,375
Sales and marketing	6,549	1,062	49	G, J	7,660
Research and development	2,415	369	58	G. J	2,842
Total operating expenses	20,285	2,859	2,733		25,877
Income (loss) from operations	12,901	951	(3,686)		10,166
Other income (expense):					-
Interest expense	(79)	(107)			(186)
Interest and other income	873	6			879
Income (loss) before provision for income taxes	13,695	850	(3,686)		10,859
Provision for income taxes	5,032	-	(1,106)	K	3,926
Net income (loss)	$ 8,663	$ 850	$ (2,580)		$ 6,933
Earnings per share:					
Basic	$ 0.19	-	-		$ 0.15
Diluted	$ 0.18	-	-		$ 0.14
Number of shares used in per share calculations:					-
Basic	44,848	-	1,000		45,848
Diluted	47,392	-	1,170		48,562

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma condensed combined financial data were prepared using the purchase method of accounting and was based on the historical financial statements of Energy Recovery, Inc. (“ERI”) and Pump Engineering, LLC (“PEI”) after giving effect to ERI’s acquisition of PEI on December 21, 2009. The unaudited pro forma condensed combined balance sheet as of September 30, 2009 combines the historical ERI and PEI balance sheets as if the acquisition had closed on September 30, 2009. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2009 and for the year ended December 31, 2008 combine the historical ERI and PEI statements of operations as if the acquisition had closed on January 1, 2008.

We account for business combinations by allocating the purchase price of an acquired company to the net tangible assets and intangible assets acquired based upon their estimated fair values and have incorporated the allocations in the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only and are not intended to represent or be indicative of the results of the consolidated results of operations or financial position that would have been reported had the PEI acquisition occurred as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial condition. Preparation of the unaudited pro forma financial information for all periods presented required us to make certain judgments and estimates to determine the pro forma adjustments such as purchase accounting adjustments, which include, among others, fair value of inventory and fixed assets acquired and amortization charges from acquired intangible assets. The unaudited pro forma condensed combined financial statements do not reflect any cost savings and/or operating efficiencies that we may achieve with respect to the combined companies.

2. PURCHASE PRICE ALLOCATION

On December 21, 2009, ERI completed the acquisition of PEI for cash consideration of approximately $20.0 million, one million shares of ERI common stock and assumed liabilities of $2.5 million. The closing price of ERI stock at December 21, 2009 was $7.10 per share. The acquisition was accounted for under the purchase method of accounting.

The purchase consideration was allocated based on the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed from PEI. An allocation of the purchase price was made to major categories of assets and liabilities in the accompanying unaudited pro forma condensed combined financial statements based on management’s best estimates, assuming the acquisition of PEI had closed on September 30, 2009, using the fair value estimates from December 21, 2009. The excess of the purchase price over the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed was allocated to goodwill.

Purchase Price Allocation

The allocation of the purchase price in the unaudited pro forma condensed combined balance sheet as of September 30, 2009 was prepared based on the results of a valuation of the assets acquired and liabilities assumed as of the December 21, 2009 closing date, as presented below (in thousands):

Net Tangible Assets	$	7,178
Liabilities Assumed		(2,454)
Purchased Intangible assets		10,900
Goodwill		11,476
Total purchase price	$	27,100

In performing our purchase price allocation, we considered, among other factors, our intention for future use of acquired assets, analyses of historical financial performance and estimates of future performance of PEI's products. The fair values of intangible assets were calculated primarily using an income approach and estimates and assumptions provided by both PEI and ERI management. The rates utilized to discount net cash flows to their present values were based on a range of discount rates of 15% to 23%. These discount rates were applied to the intangible assets to reflect the risk of the asset revenues derived from the respective intangible asset. The following table sets forth the components of intangible assets associated with the PEI acquisition (in thousands, except useful life):

		Preliminary Fair Value	Useful Life Years
Developed Technology	$	6,100	10
Non-compete agreements		1,310	2 - 5
Backlog		1,300	1
Trademarks		1,200	20
Customer relationships		990	5
	$	10,900	

Developed technology is comprised of products that have reached technological feasibility and are a part of PEI's product lines. Developed technology represents a series of awarded patents, filed patent applications and core architectures that are used in PEI's products and forms a major part of the architecture of both current and planned future product releases. Non-compete agreements and customer relationships represent the underlying relationships and agreements with PEI's customers, employees and former owners. Backlog represents pending orders received, but not fulfilled as of the acquisition date. Lastly, trademarks represent products and services marketed under the Pump Engineering name that have a strong position in its niche market.

3. PRO FORMA ADJUSTMENTS

The following pro forma adjustments are included in our unaudited pro forma condensed combined financial statements:

(A) To record cash paid for PEI, transfer of cash to restricted cash for contingent escrow liability purposes and transfer of common shares to former owners of PEI.

(B) To accrue for estimated acquisition-related transaction costs.

(C) To record the difference between the historical amounts of PEI intangible assets and the fair values of PEI intangible assets acquired, as well as associated amortization expense

(D) To record goodwill related to the acquisition of PEI

(E) Note not utilized.

(F) To eliminate PEI membership equity and PEI retained loss.

(G) To record the difference between the historical amounts of PEI's property and equipment, net of estimated fair values of the property acquired, as well as associated depreciation expense.

(H) To record the difference between the historical amounts of PEI's inventory and estimated fair values of the inventory acquired.

(I) To record the amortization of the purchase accounting inventory step-up.

(J) To record associated options expense stemming from the initial grant of options to PEI employees upon merger.

(K) To record pro forma tax impact at the average estimated rates applicable to the jurisdictions in which the income (loss) was incurred.

4. PRO FORMA EARNINGS PER SHARE

The pro forma basic and diluted earnings per share amounts presented in our unaudited pro forma condensed combined statements of operations are based upon the weighted average number of our common shares outstanding and are adjusted for additional stock awards issued as new hire awards to the PEI employees who joined ERI. The new hire PEI awards are assumed on an actual outstanding basis as if those awards had been issued at the acquisition date as of the beginning of each period presented without consideration for any subsequent award activity such as exercises and cancellations. We did not apply the treasury stock method for the PEI stock awards as the impact was immaterial to our weighted average common shares outstanding. Our acquisition of PEI did have a moderate impact to our basic weighted average common shares outstanding given that one million shares were issued to the previous owners of PEI. The common share issuance as well as the PEI new hire awards are reflected in the unaudited pro forma condensed combined statements of operations for the periods presented.