



**Energy Recovery, Inc.**





**ERII NASDAQ**

**Industrial Machinery / Equipment**

Market Capitalization USD:

**\$157.91 mm**

**CONCERN LEVEL: AVERAGE**

- 1 The CEO's total remuneration is within the typical market range for the relevant industry and market cap.
- 2 The ratio between the CEO's pay and the median pay of the other named executive officers is 3X or less.
- 3 The CEO's annual cash incentives rose or fell in line with annual performance. 
- 4 The CEO received no more than one annual cash bonus this fiscal year. 
- 5 The CEO's equity remuneration reflected the company's share price movement over the last five years.
- 6 The company only pays long-term incentives to the CEO for above median performance against a peer group.
- 7 The company's dilution from equity incentives is 10 percent or less. 
- 8 Unvested equity lapses when the CEO's employment is terminated. 
- 9 The CEO's potential cash severance payment is capped at two times annual cash remuneration.
- 10 The accrued benefits of the CEO's post-retirement income are within the typical market range for the relevant market cap bracket.

**CEO: Thomas S. Rooney**

**Age: 52**

**CEO Since: 2011**

	2009	2010	2011
<b>Base Salary</b>	\$350,000	\$280,000	\$350,000
<b>Discretionary Bonus</b>	\$0	\$0	\$150,000
<b>Annual Cash Incentive</b>	\$0	\$0	\$150,000
<b>Benefits and Perquisites</b>	\$7,530	\$7,317	\$11,570
<b>TOTAL ANNUAL COMPENSATION</b>	<b>\$357,530</b>	<b>\$287,317</b>	<b>\$661,570</b>
<b>Increase in Post-Retirement Benefits</b>	\$0	\$0	\$0
<b>Stock Option Awards</b>	\$1,735,670	\$0	\$1,259,697
<b>Stock Awards</b>	\$0	\$0	\$0
<b>TOTAL COMPENSATION</b>	<b>\$2,093,200</b>	<b>\$287,317</b>	<b>\$1,921,267</b>
<b>Median of Other Named Executive Officers Total Compensation</b>	\$684,777	\$467,852	\$636,123
<b>Value Realized on Exercise of Stock Option</b>	\$0	\$0	\$0
<b>Value Realized on Vesting of Stock</b>	\$0	\$0	\$0
<b>TOTAL REALIZED EQUITY COMPENSATION</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Proxy Date:** 27 Apr 2012

**Annual Meeting Date:** 5 Jun 2012

**Equity Reserves:** 18.36%

**Stock Option Run Rate:** 2.70%

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## Performance Comparison

■ S&P500 ■ Industry ■ ERII



## Peer Comparisons (TRBC) = Industrial Machinery / Equipment

### Total Summary CEO Compensation

Ticker	Company Name	2009	2010	2011	Market Cap
<b>ERII</b>	<b>Energy Recovery, Inc.</b>	<b>\$2,093,200</b>	<b>\$287,317</b>	<b>\$1,921,267</b>	<b>\$157,910,141</b>
MTRN	Materion Corporation	\$3,424,083	\$3,674,956	\$3,402,061	\$463,520,572
BMI	Badger Meter, Inc.	\$1,122,283	\$1,365,355	\$1,035,969	\$437,204,422
JBT	John Bean Technologies Corporation	\$3,009,778	\$3,431,476	\$3,153,379	\$408,439,825
NEWP	Newport Corporation	\$1,322,898	\$1,840,915	\$1,637,113	\$405,820,393
SXI	Standex International Corporation	\$1,793,015	\$2,641,594		\$396,256,696
MEAS	Measurement Specialties, Inc.	\$819,417	\$771,976		\$393,913,924

To insure consistency, peer comparisons are based on a combination of TRBC Industry and Sector classifications and company market caps.

Missing peer pay figures for 2011 are due to differences in company filing schedules.

### Pay Peer Group

American Superconductor Corporation, Badger Meter Inc., Consolidated Water Co. Ltd., Energy Conversion Devices, Inc., Evergreen Solar Inc., Fuel Systems Solutions, Inc., Fuel Tech, Inc., FuelCell Energy Inc., Gorman-Rupp Co., Graham Corp., Met-Pro Corp., PMFG, Inc., Quantum Fuel Systems Technologies Worldwide Inc., Sun Hydraulics Corp., AeroVironment, Inc.

### Performance Peer Group

NA

## COMPENSATION COMMITTEE MEMBERS

Director	Membership	Age	Gender	Tenure	Independence
Arve Hanstveit	Chairman	57	Male	17	Outside Related
Dominique Trempont	Member	58	Male	4	Outside
Fred Olav Johannessen	Member	58	Male	20	Outside Related
Marie Elisabeth Pate-Cornell	Member	63	Female	3	Outside
Paul Maxwell Cook	Member	87	Male	4	Outside