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Documents

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EX-99.1	ex99_1.htm Exhibit 99.1
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Module and Segment References

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) May 11, 2010

EnergyConnect Group, Inc.

(Exact name of registrant as specified in its charter)

Oregon	000-26226	93-0935149
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS Employer Identification No.)

901 Campisi Way, Suite 260, Campbell, CA	95008
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (408) 370-3311

(Former name or former address, if changed since last report.)

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))

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Item 2.02. Results of Operations and Financial Condition.

Item 9.01. Financial Statements and Exhibits.

SIGNATURE

EXHIBIT 99.1

Item 2.02. Results of Operations and Financial Condition.

On May 11, 2010, EnergyConnect Group, Inc. ("ECI") issued a press release reporting its financial results for the fiscal quarter ended April 3, 2010. A copy of this earnings release is attached as Exhibit 99.1 hereto. Following the issuance of this earnings release, ECI hosted an earnings call in which its financial results for the fiscal quarter ended April 3, 2010 were discussed.

Exhibit 99.1 contains forward-looking statements within the meaning of the federal securities laws. These statements are present expectations, and are subject to the limitations listed therein and in ECI's other SEC reports, including that actual events or results may differ materially from those in the forward-looking statements.

The foregoing information (including the exhibit hereto) is being furnished under "Item 2.02 Results of Operations and Financial Condition" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 Financial Statements and Exhibits

- (d) **Exhibits** [99.1](#) Press release issued May 11, 2010

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.

Date: May 11, 2010.

EnergyConnect Group, Inc.

/s/ Kevin R. Evans

Kevin R. Evans
Chief Executive Officer



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EnergyConnect Group, Inc. Reports First Quarter 2010 Results

- First Quarter Revenue of \$7.0 million, compared to \$1.2 million a year ago -
- First Quarter EPS was \$0.02, compared to Loss Per Share of \$0.02 a year ago -
- Company Reiterates Annual 2010 Guidance: Revenue Increase of 35% to 40% and Positive Annual 2010 Non-GAAP Adjusted EBITDA -

San Jose, CA – May 11, 2010 - EnergyConnect Group, Inc. (OTCBB: ECNG), a leading provider of smart grid demand response services and technologies, reported results for its first quarter ended April 3, 2010.

Kevin Evans, EnergyConnect's president and CEO, said, "The first quarter of 2010 was an exciting time for EnergyConnect. We completed the selling season in our Capacity business and grew our total Capacity by 33%, to 400 Megawatts (MW). As we sold over 100 MWs of Capacity transactions in the first quarter, the remaining 300 MWs will be recognized in the second and third quarter of 2010. On the economic side of the business, we are encouraged by the Federal Energy Regulatory Commission's (FERC) Notice of Proposed Rulemaking (NOPR) on Demand Response. In general, we continue to see improvements in the economy and energy prices are showing signs of rebounding. In addition, we remain well positioned with our software-as-a-Service technology platform as customers begin to focus on reducing their overall cost of energy."

First Quarter Financial Results

Revenue for the first quarter of 2010 was \$7.0 million, compared to \$1.2 million in the first quarter of 2009, due to a capacity transaction completed in the first quarter. Operating income for the period totaled \$2.3 million, compared to operating loss of \$2.0 million in the first quarter of 2009. Net income for the first quarter 2010 was \$2.1 million, or \$0.02 per diluted share, compared to a loss of \$2.1 million, or \$0.02 per share in the first quarter 2009.

Company Outlook

Andrew Warner, EnergyConnect's CFO, said, "Typically, our capacity revenue recognition model translates into 25% being recognized in the second quarter and 75% in the third quarter. Now, following the transaction in the first quarter of 2010, that revenue split should apply for the balance of our capacity business. We remain confident we will meet our annual guidance for 2010, achieving revenue growth of 35% to 40% over last year and deliver positive Non-GAAP Adjusted EBITDA for 2010."

Based on the current market outlook, the company reiterates it expects full year 2010 revenue to be in the range of \$27 million to \$28 million, and expects to be Non-GAAP Adjusted EBITDA positive for the year.

Discussion of Non-GAAP Financial Measures

We intend to utilize a number of different financial measures, both GAAP and Non-GAAP, in analyzing and assessing the overall business performance, for making operating decisions and for forecasting and planning future periods. We consider the use of Non-GAAP financial measures helpful in assessing our current financial performance and prospects for the future. While we intend to use Non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. Consistent with this approach, we believe that disclosing Non-GAAP financial measures provides useful supplemental data that, while not a substitute for GAAP financial measures, allows for further transparency in the review of our financial and operational performance.

We believe that EBITDA is used by investors and analysts as an alternative to GAAP measures when evaluating our performance in comparison to other companies. In order to fully assess our financial operating results, we believe that EBITDA will be an appropriate measure of evaluating our operating performance, because it eliminates the effects of financing and accounting decisions. This measure is also significant to institutional lenders, and is considered an important internal benchmark of our performance. We intend to use EBITDA to measure our performance against internal performance targets, which are based on EBITDA. In addition, we intend to further exclude stock-based compensation and other non-cash charges in calculating Non-GAAP Adjusted EBITDA. We believe excluding stock-based compensation and other non-cash charges, allows for greater transparency in the review our financial and operational performance.

Conference Call

The company will host a conference call and webcast today, May 11th, at 4:30 p.m. Eastern Time / 1:30 p.m. Pacific Time, to discuss its first quarter 2010 financial results. To listen to the call live, please dial 877-407-9039 or 201-689-8470, internationally, at least 10 minutes before the start of the conference.

EnergyConnect will also use an online, real-time slide presentation that will run concurrently with the conference call. To participate in viewing these slides during the presentation, a link is provided through the Investors section of the EnergyConnect website: <http://www.energyconnectinc.com/investors/financials/>.

A telephone replay will be available for two business days by dialing 877-660-6853, or 201-612-7415, and entering Account # 3055 and Conference ID #349866. A replay will also be available at the web address above for 90 days.

Forward-Looking Statements

This press release includes statements that may constitute “forward-looking” statements. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause or contribute to such differences that include, but are not limited to, competitive factors, the success of new products in the marketplace, dependence upon third party vendors, and the ability to obtain financing. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release.

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About EnergyConnect

EnergyConnect Group Inc. delivers industry leading Demand Response solutions to commercial, educational and industrial consumers, enabling them to manage their electricity use in response to market prices (Economic), regional power shortages (Capacity), or cost avoidance measures. The EnergyConnect Software-as-a-Service (SaaS) technology platform provides a scalable, cost-effective, clean technology to enhance the grid's efficiency and reliability. For more information, visit <http://www.energyconnectinc.com>.

– Tables Follow –

ENERGYCONNECT GROUP, INC.
CONSOLIDATED BALANCE SHEET
(\$)

	April 3, 2010 (Unaudited)	January 2, 2010
Cash	\$ 150,704	\$ 1,062,306
Certificates of deposit	100,200	100,200
Accounts receivable, net	9,742,693	6,811,495
Other current assets	<u>139,138</u>	<u>137,042</u>
Total current assets	10,132,735	8,111,043
Intangibles, net	1,338,994	1,398,761
Other long term assets	<u>285,289</u>	<u>265,120</u>
Total assets	<u>\$ 11,757,018</u>	<u>\$ 9,774,924</u>
Accounts payable and accrued expenses	\$ 5,944,569	\$ 7,508,561
Other current liabilities	<u>207,795</u>	<u>324,886</u>
Total current liabilities	6,152,364	7,833,447
Note Payable, net of discount	<u>3,297,570</u>	<u>1,912,937</u>
Total liabilities	9,449,934	9,746,384
Shareholders' equity	<u>2,307,084</u>	<u>28,540</u>
Total liabilities and shareholders' equity	<u>\$ 11,757,018</u>	<u>\$ 9,774,924</u>

ENERGYCONNECT GROUP, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(\$000's, except share data)
(Unaudited)

	Three months ended	
	April 3, 2010	April 4, 2009
Revenue	\$ 7,024	\$ 1,210
Cost of revenue	2,455	642
Gross profit	4,569	568
Sales, general and administrative	2,076	2,402
Stock-based compensation	185	169
Total operating expenses	2,261	2,571
Income (loss) from operations	2,308	(2,003)
Interest expense, net and other	(226)	(79)
Net Income (loss)	\$ 2,082	\$ (2,082)
Net Income (loss) per share:		
Basic and diluted	\$ 0.02	\$ (0.02)
Shares used in per share calculations:		
Basic	95,749,193	95,179,961
Diluted	120,694,405	95,179,961

**Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA
(Unaudited)**

We believe that the presentation of Non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. While we use Non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. Consistent with this approach, we believe that disclosing Non-GAAP financial measures to the readers of its financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial measures, allows for greater transparency in the review of its financial and operational performance.

We intend to use EBITDA and Non-GAAP Adjusted EBITDA to measure our performance against internal targets. EBITDA is calculated by adding net interest expense, taxation expense, depreciation expense and amortization expense to Net Income to arrive at Earnings Before Interest, Tax, Depreciation and Amortization. Non-GAAP Adjusted EBITDA is calculated by additionally adding back other non-cash expenses, specifically stock-based compensation expense to arrive at Non-GAAP Adjusted EBITDA.

**ENERGYCONNECT GROUP, INC.
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDA
(\$000's)**

	April 3, 2010 (Unaudited)	January 2, 2010 (Unaudited)
GAAP Net Income (loss)	\$ 2,082	\$ (2,082)
ADD: Stock- based compensation	185	169
ADD: Depreciation and amortization expense	93	96
ADD: Interest Expense, net and other	226	79
Adjusted EBITDA	2,586	(1,738)