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Form 10-Q

Titan Energy Worldwide, Inc. - TEWI

Filed: August 16, 2010 (period: June 30, 2010)

Quarterly report which provides a continuing view of a company's financial position

Table of Contents

10-Q

PART I

ITEM 1. FINANCIAL STATEMENTS 3

PART I

ITEM 1. Financial Statements

ITEM 2. Management's Discussion and Analysis or Plan of Operation.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

ITEM 4. Controls and Procedures

PART II

ITEM 1. Legal Proceedings

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

ITEM 3. Defaults Upon Senior Securities

ITEM 4. (Removed and Reserved).

ITEM 5. Other Information

ITEM 6. Exhibits

SIGNATURES

EXHIBIT INDEX

EX-31.1 (Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002)

EX-31.2 (Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002)

EX-32.1 (Certifications required under Section 906 of the Sarbanes-Oxley Act of 2002)

EX-32.2 (Certifications required under Section 906 of the Sarbanes-Oxley Act of 2002)

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-26139

Titan Energy Worldwide, Inc.

Nevada

(State or other jurisdiction of incorporation or organization)

26-0063012

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

10315 Grand River Avenue, Brighton, MI 48116
(Address of principal executive offices) (Zip Code)

Company's telephone number, including area code: (810) 229-5422

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date:

As of August 10, 2010, the issuer had 26,460,509 shares of its common stock issued and outstanding.

TABLE OF CONTENTS

PART I

| | | |
|---------|---|----|
| ITEM 1. | FINANCIAL STATEMENTS | 3 |
| ITEM 2. | MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 19 |
| ITEM 3. | QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 26 |
| ITEM 4. | CONTROLS AND PROCEDURES | 26 |

PART II

| | | |
|-------------------|---|-----------|
| ITEM 1. | LEGAL PROCEEDINGS | 27 |
| ITEM 2. | UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS | 27 |
| ITEM 3. | DEFAULTS UPON SENIOR SECURITIES | 27 |
| ITEM 4. | (REMOVED AND RESERVED) | 27 |
| ITEM 5. | OTHER INFORMATION | 27 |
| ITEM 6. | EXHIBITS | 27 |
| SIGNATURES | | 28 |

ITEM 1. Financial Statements

**Titan Energy Worldwide, Inc.
CONSOLIDATED BALANCE SHEETS**

| | June 30, 2010 (Unaudited) | December 31, 2009 |
|---|--|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 669,677 | \$ 45,401 |
| Accounts receivable less allowance for doubtful accounts of \$126,934 and \$120,000, respectively | 2,513,122 | 1,846,125 |
| Inventory, net | 819,729 | 881,830 |
| Other current assets | 395,691 | 230,948 |
| Total current assets | 4,398,219 | 3,004,304 |
| Property and equipment, net | 244,517 | 257,985 |
| Intangibles, net | 761,523 | 774,833 |
| Goodwill | 1,195,803 | 1,184,132 |
| Other assets | 74,706 | 20,608 |
| Total assets | \$ 6,674,768 | \$ 5,241,862 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 2,139,676 | \$ 1,388,838 |
| Accrued liabilities | 1,132,370 | 578,549 |
| Customer deposits and deferred revenue | 94,766 | 234,190 |
| Short-term credit facility | 822,558 | 607,558 |
| Notes payable - current portion | 101,646 | 351,048 |
| Current portion of convertible debt, net of unamortized discount | 650,448 | 480,198 |
| Total current liabilities | 4,941,464 | 3,640,381 |
| Notes payable, less current portion | 12,105 | 19,769 |
| Convertible debt, net of unamortized discount | 155,942 | 63,958 |
| Total long-term debt | 168,047 | 83,727 |
| Total liabilities | 5,109,511 | 3,724,108 |
| Commitments and Contingencies | | |
| Stockholders' equity | | |
| Preferred Stock Series D: 10,000,000 authorized, \$.0001 par value, issued and outstanding 415 and 794 shares, respectively | 1 | 1 |
| Common stock: 1,800,000,000 shares authorized, \$.0001 par value, 26,473,512 and 17,153,495 shares issued, respectively | 2,648 | 1,716 |
| Treasury stock, at cost, held 1,900,000 and 2,740,000 shares of common stock, respectively | (950,000) | (1,370,000) |
| Additional paid-in capital | 29,934,319 | 29,141,643 |
| Accumulated deficit | (27,421,711) | (26,255,606) |
| Total stockholders' equity | 1,565,257 | 1,517,754 |
| Total liabilities and stockholders' equity | \$ 6,674,768 | \$ 5,241,862 |

See accompanying notes to consolidated financial statements.

Titan Energy Worldwide, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2010 and 2009
(Unaudited)

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Sales of equipment | \$ 3,075,359 | \$ 1,526,683 |
| Sales of service and parts | 927,069 | 558,367 |
| Total sales | 4,002,428 | 2,085,050 |
| Material cost and labor for equipment | 2,540,544 | 1,294,985 |
| Material cost and labor for service and parts | 403,072 | 259,816 |
| Total cost of sales | 2,943,616 | 1,554,801 |
| Gross profit | 1,058,812 | 530,249 |
| Operating Expenses: | | |
| Selling and service expenses | 542,674 | 270,459 |
| General and administrative expenses | 253,916 | 178,921 |
| Corporate overhead | 258,726 | 294,922 |
| Research and development | 45,000 | - |
| Share based compensation and payments | 218,505 | 9,375 |
| Depreciation and amortization | 57,657 | 39,725 |
| Total operating expenses | 1,376,478 | 793,402 |
| Other Expenses | | |
| Interest expense, net | 47,344 | 12,101 |
| Amortization of debt discount and financing costs | 257,561 | 5,026 |
| Loss (Gain) on sale of fixed assets | (6,525) | 5,292 |
| Total other expense, net | 298,380 | 22,419 |
| Loss from continuing operations | (616,046) | (285,572) |
| Discontinued Operation (Note 12) | | |
| Losses from operation of discontinued business, net of tax | - | (27,293) |
| Net loss | \$ (616,046) | \$ (312,865) |
| Basic and diluted weighted average number of shares outstanding | 23,031,889 | 15,701,946 |
| Basic and diluted (loss) per common share from continuing operations | \$ (0.03) | \$ (0.02) |
| Basic and diluted (loss) per common share from discontinued operations | - | - |
| Total basic and diluted (loss) per common share | \$ (0.03) | \$ (0.02) |

See accompanying notes to consolidated financial statements.

Titan Energy Worldwide, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2010 and 2009
(Unaudited)

| | 2010 | 2009 |
|--|-----------------------|---------------------|
| Sales of equipment | \$ 5,187,843 | \$ 2,627,957 |
| Sales of service and parts | 1,831,622 | 1,144,399 |
| Total sales | 7,019,465 | 3,772,356 |
| Material cost and labor for equipment | 4,211,357 | 2,249,088 |
| Material cost and labor for service and parts | 811,232 | 501,944 |
| Total cost of sales | 5,022,589 | 2,751,032 |
| Gross profit | 1,996,876 | 1,021,324 |
| Operating Expenses: | | |
| Selling and service expenses | 1,016,922 | 514,765 |
| General and administrative expenses | 539,361 | 357,017 |
| Corporate overhead | 530,568 | 581,299 |
| Research & Development | 45,000 | - |
| Share based compensation and payments | 436,088 | 18,750 |
| Depreciation and amortization | 115,152 | 77,149 |
| Total operating expenses | 2,683,091 | 1,548,980 |
| Other Expenses | | |
| Interest expense, net | 93,301 | 25,230 |
| Amortization of debt discount and financing costs | 395,708 | 6,007 |
| (Gain) Loss on sale of fixed assets | (9,233) | 3,006 |
| Total other expense, net | 479,776 | 34,243 |
| Loss from continuing operations | (1,165,991) | (561,899) |
| Discontinued Operation (Note 12) | | |
| Losses from operation of discontinued business, net of tax | - | (87,882) |
| Net loss | \$ (1,165,991) | \$ (649,781) |
| Basic and diluted weighted average number of shares outstanding | 19,486,090 | 15,716,918 |
| Basic and diluted (loss) per common share from continuing operations | \$ (0.06) | \$ (0.03) |
| Basic and diluted (loss) per common share from discontinued operations | - | (0.01) |
| Total basic and diluted (loss) per common share | \$ (0.06) | \$ (0.04) |

See accompanying notes to consolidated financial statements.

Titan Energy Worldwide, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2010 and 2009
(Unaudited)

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| Operating activities: | | |
| Net loss | \$ (1,165,991) | \$ (649,678) |
| Loss from discontinued operation | - | (87,882) |
| Loss from continuing operations | (1,165,991) | (561,796) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Compensation paid by issuance of stock and stock options | 232,959 | |
| Depreciation and amortization | 115,153 | 83,157 |
| Amortization of debt discount and financing costs | 395,708 | 649 |
| Stock and Stock Options for services | 203,128 | - |
| Changes in operating assets and liabilities: | | |
| Accounts Receivables | (666,998) | (236,111) |
| Inventory | 62,101 | 41,968 |
| Other assets | (258,798) | 116,918 |
| Accounts payable | 750,839 | 207,727 |
| Accrued liabilities | 496,328 | 7,978 |
| Customer deposits | (139,425) | 63,137 |
| Net cash provided (used) in continuing operations | 25,004 | (276,373) |
| Net cash used in provided by discontinued operations | - | (34,264) |
| Net cash provided by (used in) operating activities | 25,004 | (310,637) |
| Investing activities: | | |
| Purchase of fixed assets | (31,939) | (30,694) |
| Asset purchased in business acquisitions | (80,000) | (183,544) |
| Proceeds from sales of fixed assets | 13,716 | 4,319 |
| Net cash used in investing activities | (98,223) | (209,919) |
| Financing activities: | | |
| Cost associated with conversion of Preferred Stock | (3,690) | - |
| Proceeds from exercise of warrants | 2,750 | - |
| Proceed from Seller financing | - | 86,612 |
| Net change short term revolving line of credit, net of costs | 215,000 | 167,331 |
| Proceeds provided by Convertible Debt | 780,000 | 260,000 |
| Payment of Notes Payable | (257,065) | - |
| Payment of financing costs | (39,500) | (9,600) |
| Net cash provided by financing activities | 697,495 | 504,343 |
| Increase (decrease) in cash and cash equivalents | 624,276 | (16,213) |
| Cash and cash equivalents, beginning of year | 45,401 | 327,166 |
| Cash and cash equivalents, end of year | <u>\$ 669,677</u> | <u>\$ 310,953</u> |

See accompanying notes to consolidated financial statements.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Titan Energy Worldwide, Inc. (the “Company”) was incorporated on December 28, 2006, in the state of Nevada.

On August 10, 2007, the Company changed its trading symbol to “TEWI.OB,” and is currently trading on the OTCBB.

On June 11, 2009, the Company through its wholly owned subsidiary, Grove Power, Inc., a Florida corporation, (“GPI”) acquired certain assets and assumed certain liabilities of R.B. Grove, Inc.’s (“RBG”) Industrial and Service Divisions. The purchase was effective as of June 1, 2009. The purchase price consisted of a cash payment of \$214,827 and an \$86,612 secured promissory note at 8% due in 18 months. The seller also received five year warrants to purchase 200,000 shares of the Company’s common stock at a price of \$.01 per share. The Company determined the fair value of these warrants to be \$32,000.

On November 1, 2009, the Company acquired certain assets and assumed certain liabilities for a sales office in New Jersey. This business had open orders at the date of acquisition of approximately \$3,000,000, which the Company assumed by agreeing to pay the owner \$150,000. This sales office has been consolidated with the operations of our subsidiary, Titan Energy Services, Inc. (“TES”).

On January 1, 2010, the Company acquired the stock of Sustainable Solutions, Inc. (“SSI”) a company that performs energy audits, consulting and management services. The purchase price for this business was a stock option to purchase 200,000 shares of common stock at a strike price of \$0.50. We used the Black-Scholes method to value the stock options of this acquisition at \$71,671. The asset of the business is a contract with a major utility company to perform energy assessments for the three-year period from 2010 through 2012. The Company assigned an intangible value for this contract of \$60,000, to be amortized over the contract life.

At June 30, 2010 and December 31, 2009, the Company has no Preferred Stock Series A, B and C outstanding. The description of these securities is as follows:

Preferred Stock, Series A, authorized 10,000,000, \$.0001 par value

Preferred Stock, Series B, authorized 10,000,000, \$.0001 par value

Preferred Stock, Series C, authorized 10,000,000, \$.0001 par value

Following is a summary of the Company’s significant accounting policies.

Principles of Consolidation

The financial statements include the accounts of the Company and its 100% owned subsidiaries, TES, GPI and SSI. TEDI operations have been classified as a discontinued business.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

Reclassifications

For the period ended June 30, 2010, the Company's presentation of the Statement of Operations for all periods presented has been changed to be more informative and comparable to companies in our industry. Cost of sales only includes the costs directly related to the equipment or services sold. Sales and services expenses includes all salesmen, service personnel for support, benefits related to these personnel and other costs in support of these functions. General and administrative expenses include the accounting and management level support directly related to our operating subsidiaries, including facility costs and consulting services. Corporate overhead includes the compensation to the officers of TEWI, accounting and legal and investor relations fees and filing costs associated with being a SEC registrant. Share based payments include stock options and stock payments to employees and key consultants, which are non-cash charges. Depreciation and amortization include operating charges against fixed assets and intangibles. Net Other Expense primarily consists of interest expense and the amortization of debt discounts and financing fees.

Basis of Presentation

The accompanying Unaudited Consolidated Financial Statements ("Financial Statements") have been prepared by management in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and applicable rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all the information and disclosures required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered for fair presentation have been included. These Financial Statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year end December 31, 2009 included in our Annual Report on Form 10-K filed with SEC on March 31, 2010. Additionally, our operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that can be expected for the year ending December 31, 2010 or for any other period.

Going Concern

The accompanying financial statements assume the Company will continue as a going concern. The Company incurred a net loss for the six months ended June 30, 2010 of \$1,165,991 of which \$436,088 is related to share based accounting. At June 30, 2010, the Company had an accumulated deficit of \$27,421,711 which includes non cash charges of \$15,176,259 for the early extinguishment of Series A, B and C Preferred Stock in 2007, the issuance of Series D Preferred Stock with a beneficial conversion feature and the write-off of intangible assets related to discontinued operations. The accumulated deficit without these transactions is \$12,245,512. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Management has taken the following steps that it believes will be sufficient to provide the Company with the ability to continue its operations:

Management measures operating performance by excluding share-based compensation and amortization of debt discounts from EBITDA. On this basis, the Company's adjusted operating loss was \$41,304 for the quarter ended June 30, 2010 compared to \$232,380 for the same quarter in 2009, an improvement of \$191,076.

For quarter ended June 30, 2010 the Company had positive cash flow of \$3,496; when measured as EBITDA less share-based compensation and research and development expenses.

Management has been able to raise \$780,000 through a convertible debt offering in the first half of 2010; Management has renewed its credit facility, and plans to raise additional capital in 2010 through equity or debt offerings.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

Supplemental Cash Flow Information Regarding Non-Cash Transactions

During the three and six months ended June 30, 2010 and 2009, the Company has entered into several non-cash transactions in order to provide financing for the Company in order to conserve cash. The table below shows the transactions that occurred during the periods presented.

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Stock warrants issued for acquisition | - | \$ 32,000 | - | \$ 32,000 |
| Common stock issued for conversion of Series D Preferred Stock | \$ 213,348 | - | \$ 2,909,155 | - |
| Common stock issued for conversion of convertible debt | \$ 144,957 | - | \$ 192,464 | - |
| Common stock issued for warrants | \$ 106,475 | - | \$ 188,706 | - |
| Stock options issued for the purchase of SSI | \$ 76,671 | - | \$ 71,671 | - |

Interest payments for three months ending June 30, 2010 and 2009 were \$28,874 and \$10,765, respectively. Interest payments for the six months ending June 30, 2010 and June 30 2009 were \$44,426 and \$18,785, respectively

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, 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.

Revenue Recognition

The Company recognizes revenue when the significant risks and rewards of ownership have been transferred to the customer pursuant to applicable laws and regulations, including factors such as when there has been evidence of a sales arrangement, delivery has occurred, or services have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured.

For equipment sales, the Company recognizes revenue when the equipment has been delivered to the customer and the customer has taken title and risk of the equipment. For service and parts sales, the Company recognizes revenue when the parts have been installed and over the period in which the services are performed.

Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be a cash equivalent.

Concentration of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known banks selected based upon management's assessment of the bank's financial stability. Balances may periodically exceed the Federal Deposit Insurance Corporation limit (which is currently \$250,000 but will decrease to \$100,000 on December 31, 2013); however, the Company has not experienced any losses on deposits.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Expenditures for major renewals and betterments that extend the original estimated economic useful lives of the applicable assets are capitalized. Expenditures for normal repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in operations.

Intangible Assets

The Company evaluates intangible assets and other long-lived assets for impairment at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets and other long-lived assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

Income Taxes

The Company accounts for income taxes under the asset and liability whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Effective January 1, 2009 the Company adopted guidance regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all federal or state income tax positions. Each income tax position is assessed using a two step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. As of June 30, 2010 and December 31, 2009, there were no amounts that had been accrued with respect to uncertain tax positions.

None of the Company's federal or state income tax returns is currently under examination by the Internal Revenue Service ("IRS") or state authorities. However fiscal years 2006 and later remain subject to examination by the IRS and respective states.

Loss per Share

The basic income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income per common share is computed similar to basic income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The loss for common shareholders is increased for any preferred dividends. For the periods ended June 30, 2010 and 2009, the Company had potentially dilutive shares related to outstanding stock options, warrants and convertible securities that were not included in the calculation of loss per share, because their effect would have been anti-dilutive due to the net losses.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

Share-Based Compensation

The company uses the fair value method of accounting for share-based payments. Accordingly, the Company's recognize the cost of employee services received in exchange for awards of equity instruments based on the grant date fair value of those rewards. Options or share awards issued to non-employees are valued using the fair value method and expensed over the period services are provided.

Segment Reporting and Significant Customer

The Company operated in a single business segment. The Company had one customer for the three months ended June 30, 2010 which accounted for 11% of the total revenue. The Company also has one customer that purchased generators and parts during the six months ended June 30, 2010 and 2009 in the amounts of \$538,393 and \$32,311, which represents 18% and 2% of revenues, respectively.

Research and Development

The Company's research and development costs are expensed as incurred. Research and development includes costs attributable to a program to improve our monitoring systems for our customers with appropriate controls to manage their generation equipment.

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) ratified ASC Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Subtopic 605-25. ASU 2009-13 provides for two significant changes to the existing multiple element revenue recognition guidance. First, ASU 2009-13 deletes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement and will result in more deliverables being treated as separate units of accounting. The second change in ASU 2009-13 modifies the manner in which the transaction consideration is allocated across the separately identified deliverables. These changes may result in entities recognizing more revenue up-front, and entities will no longer be able to apply the residual method and defer the fair value of undelivered elements. Upon adoption of ASU 2009-13, each separate unit of accounting must have a selling price, which can be based on management's estimate when there is no other means to determine the fair value of that undelivered item, and the arrangement consideration is allocated based on the elements' relative selling price. ASU 2009-13 is effective no later than fiscal years beginning on or after June 15, 2010, but may be adopted early as of the first quarter of an entity's fiscal year. Entities may elect to adopt ASU 2009-13 either through prospective application to all revenue arrangements entered into or materially modified after the date of adoption or through a retrospective application to all revenue arrangements for all periods presented in the financial statements. The Company is currently evaluating the impact of ASU 2009-13, including the period in which the Company will adopt ASU 2009-13.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosure about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 requires additional disclosures regarding fair value measurements, amends disclosures about post-retirement benefit plan assets and provides clarification regarding the level of disaggregation of fair value disclosures by investment class. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010. The adoption of ASU 2010-06 did not have a material impact on the Company's consolidated financial position or results of operations.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 2 – INVENTORY, NET

Inventory is stated at the lower of cost, determined by a first in, first out method, or market. Inventory is adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions. Inventories are comprised of the following:

| | June 30, 2010 | December 31, 2009 |
|----------------------|--------------------------|------------------------------|
| Parts | \$ 491,827 | \$ 448,618 |
| Work in process | 146,936 | 223,810 |
| Finished goods | 250,966 | 279,402 |
| Obsolescence reserve | (70,000) | (70,000) |
| Total | \$ 819,729 | \$ 881,830 |

NOTE 3 - NOTES PAYABLE

Notes Payable consists of the following:

| | June 30, 2010 | December 31, 2009 |
|--|--------------------------|------------------------------|
| Revolving line of credit, prime (3.25% at June 30,2010) plus 2.0% with minimum interest rate of 7.5% and due June 22, 2011 | \$ 822,558 | \$ 607,558 |
| Convertible notes payable bearing interest at 10% , due May to June, 2011 | 300,000 | - |
| Convertible notes payable, bearing interest at 8%, due July to August 2010 | 420,000 | 580,000 |
| Convertible notes payable, bearing interest at 10%, due November to March 2012 | 535,000 | 100,000 |
| Promissory note payable, bearing interest at 6%, repaid May 31, 2010 | - | 250,000 |
| Secured promissory note payable, bearing interest at 8%, due December 11, 2010 | 86,612 | 86,612 |
| Other Loans | 27,139 | 34,205 |
| Less Unamortized Discount | (448,610) | (135,844) |
| Total | 1,742,699 | 1,522,531 |
| Less current portion | 1,574,652 | 1,438,804 |
| Long -term Debt | \$ 168,047 | \$ 83,727 |

The convertible notes payable due in May and June, 2011 were issued with 204,500 detachable warrants to purchase Company's common stock at \$0.60 cents per share. The proceeds received from these notes were allocated to the convertible notes payable and the warrants based on their relative fair value of \$216,656 and \$83,344 respectively, with the warrants fair value determined using the Black-Scholes method. These notes are convertible at maturity based on the current share price or if the Company's has an equity raise in excess of \$1,500,000 these notes can be convert into the offering.

The convertible notes payable due in November to March of 2012 were issued with 1,120,000 detachable warrants to purchase the Company's common stock at \$.25 per share. The proceeds received from these notes were allocated to the promissory note and the warrants at their relative fair values of \$301,418 and \$258,582, respectively, with the warrant fair value being determined using the Black-Scholes method. The value allocated to the warrants was recorded as a debt discount and will be amortized into interest expense over the life of the promissory notes. The note holders will have the option of converting their notes into common stock based on the principal balance plus accrued interest multiplied by 6. This beneficial conversion feature has intrinsic value of \$297,430, is recorded as a discount on the debt, and will be amortized to expense over the life of the debt or recognized upon conversion. In the three months ended June 30, 2010, notes totaling \$25,000 plus accrued interest of \$1,125 were converted into 156,753 of the Company's common shares.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

The convertible notes payable due between July and August, 2010 were issued with 1,160,000 detachable warrants to purchase the Company's common stock at \$.01 per share. The proceeds received from these notes were allocated to the promissory note and the warrants at their relative fair values of \$390,839 and \$189,161, respectively, with the warrant fair value being determined using the Black-Scholes method. At June 30, 2010, all of these warrants have been exercised. The note holders will have the option of converting their notes into common stock based on the fair value of the common stock and if they elect this option they will receive an additional 10 warrants at \$.01 for each \$1,000 invested in the note. In the first quarter of 2010, \$50,000 of the notes were converted to 82,620 shares of common stock, with stock warrants for 500,000 shares of common stock at a strike price of \$.01 per share. During the three months ended June 30, 2010 notes totaling \$110,000 and accrued interest \$9,831 were converted into 208,088 of the Company's common shares and 1,100,000 warrants.

The secured promissory note payable was part of the consideration given to the Seller of the RBG assets purchased by Grove Power Inc. ("GPI"). The security for this note is all the assets that were purchased.

On August 5, 2009, a major vendor agreed to exchange \$250,000 of accounts payable currently due related to the acquisition of GPI for a promissory note payable due May 2, 2010. The Company paid this note during the second quarter ending June 30, 2010.

Borrowings under the Revolving Line of Credit are subject to a borrowing base formula consisting of 75% of the accounts receivable for balances under 90 days plus 50% of the inventories, up to a maximum of \$125,000. The Company has renewed the credit line under the same terms as the prior line with a new maturity date of June 22, 2011.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

| | June 30, 2010 | December 31, 2009 |
|----------------------------------|--------------------------|------------------------------|
| Accrued Compensation | \$ 263,701 | \$ 178,245 |
| Accrued Interest | 75,039 | 34,630 |
| Accrued stock options liability | 250,000 | 125,000 |
| Accrued Other | 543,630 | 240,674 |
| Total accrued liabilities | \$ 1,132,370 | \$ 578,549 |

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 5 - INCOME TAXES

The Company's effective income tax rate of 0.0% differs from the federal statutory rate of 34% for the reasons set forth below for the three and six months ended June 30:

| | <u>Three Months Ended</u> | | <u>Six Months Ended</u> | |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
| Continuing Operations | | | | |
| Income taxes at the statutory rate | \$ (181,418) | \$ (99,950) | \$ (393,738) | \$ (196,665) |
| Valuation Allowance | 42,008 | 77,336 | 103,218 | 177,276 |
| Permanent differences and other | 139,410 | 22,614 | 270,720 | 19,389 |
| Total income taxes continuing operations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Discontinued Operations | | | | |
| Income taxes at the statutory rate | \$ - | \$ (9,553) | \$ - | \$ (30,759) |
| Valuation Allowance | - | 3,717 | - | 19,064 |
| Permanent differences and other | - | 5,836 | - | 11,695 |
| Total income taxes discontinue operations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Deferred tax assets and liabilities reflect the net effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The Company's temporary differences are attributable to the net operating loss carry forward and depreciation and amortization.

The Company has a net operating loss carry forward of approximately \$10,000,000.

The Company may offset net operating loss carry forwards against future taxable income through the year 2030. No tax benefit has been reported in the financial statements as the utilization of the tax benefits related to the carry-forward is not assured. Accordingly, the potential tax benefits of the net operating loss carry-forwards are offset by valuation allowance of the same amount.

NOTE 6 - SERIES D CONVERTIBLE PREFERRED STOCK

On October 3, 2007, the Company issued a private placement memorandum to sell up to \$10,000,000 of Units consisting of one share of Series D Convertible Preferred Stock, one Class A warrant and one Class B warrant. Each Unit was offered at \$10,000. The holder of the Series D Preferred Stock may convert, at any time and is required to convert their preferred stock 24 months after issuance, in whole or in part, into shares of Common Stock. Assuming an initial conversion price of \$1.00, each one (1) share of Preferred Stock is convertible into 10,000 shares of Common Stock. Each Class A Warrant and Class B Warrant entitles the holder to purchase three thousand three hundred and thirty-three (3,333) shares of Common Stock with exercise prices of \$1.20 and \$1.40, respectively.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

In the six months ended June 30, 2010, investors holding the Series D Preferred Stock elected to convert their holdings into Common Stock using the Volume Weighted Average Price “VWAP” formula as provided for in the offering documents. A total of 379 shares of Series D Preferred Stock elected to convert into common stock receiving an aggregate of 6,845,125 shares of common stock. The weighted average price per share was \$0.55. In addition, the Class A and Class B warrants were repriced based on conversion price times 120% and 140%, respectively.

In an Event of Liquidation (as defined below) of the Company, holders of any then-unconverted shares of Preferred Stock will be entitled to immediately receive accelerated redemption rights in the form of a Liquidation Preference Amount. The Liquidation Preference Amount shall be equal to 125% of the sum of: (i) the Stated Value (\$10,000) of any then-unconverted shares of Preferred Stock and (ii) any accrued and unpaid dividends thereon. An “Event of Liquidation” shall mean any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, as well as any change of control of the Company which shall include, for the purposes hereof, sale by the Company of either (x) substantially all of its assets or (y) that portion of its assets which comprises its core business technology, products or services.

NOTE 7 – TREASURY SHARES

On June 30, 2009, the Company offered to the common shareholders that were converted in the Series D Preferred Stock offering the opportunity to exchange the common shares received into units of Series D Preferred Stock. A total of 2,740,000 shares of common stock were repurchased for 137 Units of Series D Preferred Stock and 456,621 detachable Class A Warrants and 456,621 detachable Class B Warrants. This transaction has been accounted for using the Black–Scholes method to determine the value of the Series D Preferred Stock and the detachable warrants. This method resulted in a cost of the treasury shares of \$1,370,000, which is the sum of the value of the Series D Preferred Stock of \$1,285,553, and the fair value of the warrants of \$84,467.

In the first half of 2010, 42 shares of Series D Preferred Stock were converted and are included in the amount under Note 6. The conversion resulted in the re-issuance of 727,449 shares of common stock out of treasury.

NOTE 8 – COMMON STOCK TRANSACTIONS

In the six months ended June 30, 2010, the Company issued common stock for the following transactions:

- The Company issued 6,845,125 shares of common stock for the conversion of the Series D Preferred Stock as described in Note 6 above.
- The Company’s warrant holders elected to exercise warrants totaling 3,241,655 at prices ranging from \$.01 to \$.35 per share. Most of the exercises were done on a net share basis resulting in actual common stock issuance of 2,958,775 shares.
- Debt holders also converted \$185,000 of Convertible Notes plus the accrued interest, into 447,453 shares of common stock.

In the year ended December 31, 2009, the Company entered into several transactions resulting in the issuance of common stock. The following is a description of these transactions:

- The Company issued 200,000 shares as part of the legal settlement with ERBUS. This stock cannot be sold by ERBUS for at least one year as agreed upon in the settlement agreement. The fair value for this stock was \$0.20, a fair value of \$40,000. This amount was charged to discontinued operations.
- The Company issued 100,000 shares to a vendor in partial settlement of the account payable outstanding. The fair value of the stock was \$0.23, a fair value of \$23,000. This amount resulted in a \$3,620 charge to discontinued operations. The Company has a payable of \$25,000 still outstanding at June 30, 2010 to this vendor.

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

- The Company issued 500,000 shares to TEWI's new investor relations firm. The fair value of the stock was \$0.33 per share resulting in a fair value of \$165,000. Our contract with the investor relation firm is for a one year. We will amortize the charge over the one-year period. Expense for this contract in 2009 was \$39,575.
- The Company entered into agreement to pay off a note and the accrued interest with the holder through the issuance of common stock and stock options. The Company issued 646,969 shares with a fair value of \$0.23 for a total value of \$155,000. This amount along with stock option fair value of \$125,000 resulted in an inducement of \$163,914 that is included in other expenses in 2009.
- During the quarter ended September 30, 2009, the Company issued 100,000 shares of common stock to an investor relations firm for services to be provided. The fair value of the common stock on the day it was issued was \$0.29 a share. This fair value of \$29,000 was charged to expense in the third quarter.
- Also in the third quarter of 2009, an investor relations firm returned 125,000 shares of common stock that were issued in July 2008. The issuance of this stock resulted in expense over 2008 and 2009. The stock was returned as the investor relations firm did not perform on its contract which was terminated. The Company has retired this stock and recognized a gain for the fair value of \$31,250.

NOTE 9 – STOCK OPTIONS

In the six months ended June 30, 2010, the Company issued 200,000 stock options for the purchase of SSI. These options vest over four years and the value using the Black-Scholes method was \$71,671.

The Company issued stock options to employees, consultants and to a note holder in settlement of an outstanding note during 2009. These options were not issued under any plan that required stockholder approval. The Company believes that such stock options align the interest of its employees with the shareholders. Stock option awards are granted with an exercise price equal to the market price of the Company common stock at date of grant. Options granted to consultants have a five year contractual term. The option granted to employees have from a 3 year contractual term to no expiration date, however we would expect that all options will be exercised within 10 years. All options issued are non-qualified options. There are two options totaling 1,500,000 shares that are guaranteeing a minimum value of \$0.25 a share and which represent the fair value. For all other options the Company uses the Black-Scholes method to evaluate the options. The risk free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at time of grant. Below are the parameters in determining the fair value of these options.

| | |
|-----------------------------|----------|
| Expected Volatility | 90%-142% |
| Weighted average volatility | 135% |
| Vesting Periods (in years) | 0-4 |
| Expected term (in years) | 2-5 |
| Expected dividends | 0% |
| Risk free rate | .5%-2.2% |

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

A summary of activity as of June 30, 2010 and changes during the six month period then ended is presented below:

| | Shares | Weighted Average Exercise Price | Weighted Remaining Contractual Terms | Grant Date Fair Value |
|---------------------------------|-----------|--|---|-----------------------------|
| Outstanding at January 1, 2010 | 7,045,000 | \$ 0.24 | 9 | \$ 1,433,785 |
| Granted | 200,000 | \$ 0.50 | 4 | 71,671 |
| Exercised | | | | |
| Forfeited | (255,000) | | | (43,787) |
| Outstanding at June 30, 2010 | 6,990,000 | \$ 0.25 | 9 | 1,461,670 |
| Exercisable as of June 30, 2010 | 76,250 | \$ 0.10 | 6 | |

As of June 30, 2010, there is approximately \$900,000 of unrecognized compensation and share-based expense arrangements which will be charged to expense over the vesting period. These costs will be recognized over the weighted average period of 2.75 years. At June 30, 2010, the aggregate intrinsic value was \$2,446,500

NOTE 10 - COMMON STOCK WARRANTS

The total number of warrants issued for the six months ended June 30, 2010 was 2,773,500. In the six months ended June 30, 2010 warrants totaling 3,141,655 were exercised. Also in the six months ended June 30, 2010, due to the conversion of Series D Preferred Stock the detachable warrants are required to be repriced based on the conversion price. The Class A and Class B warrant exercise price would be 120% and 140%, respectively, above the conversion price. The following table shows the warrants outstanding at June 30, 2010:

| Number of Warrants | Exercise Price | Expiration Date |
|-----------------------|-------------------|--------------------|
| 550,000 | \$ 0.01 | Jun-14 |
| 62,472 | \$ 0.10 | Jun-14 |
| 847,500 | \$ 0.35 | Jan-12 |
| 1,090,000 | \$ 0.25 | Dec-14 -Mar 15 |
| 553,800 | \$ 0.50 | April-July 2012 |
| 389,963 | \$ 0.61 | Jan-13 |
| 183,147 | \$ 0.63 | Jun-12 |
| 44,256 | \$ 0.63 | Jan-13 |
| 49,997 | \$ 0.65 | Jan-13 |
| 333,300 | \$ 0.66 | Jan-13 |
| 9,999 | \$ 0.67 | Jan-13 |
| 374,965 | \$ 0.70 | Jan-13 |
| 406,628 | \$ 0.71 | Jan-13 |
| 63,725 | \$ 0.75 | Sep-10 |
| 158,000 | \$ 0.75 | Dec-12 |
| 204,500 | \$ 0.75 | Jun-15 |
| 66,663 | \$ 0.76 | Jan-13 |
| 333,300 | \$ 0.77 | Jan-13 |
| 9,999 | \$ 0.78 | Jan-13 |
| 374,965 | \$ 0.81 | Jan-13 |
| 33,300 | \$ 0.83 | Jan-13 |
| 24,998 | \$ 0.84 | Jan-13 |
| 24,997 | \$ 0.85 | Jan-13 |
| 16,665 | \$ 0.89 | Jan-13 |
| 16,666 | \$ 0.97 | Jan-13 |
| 24,998 | \$ 0.98 | Jan-13 |
| 24,997 | \$ 0.99 | Jan-13 |
| 1,383,196 | \$ 1.20 | Jan-13 |
| 777,135 | \$ 1.25 | Jan-13 |

Titan Energy Worldwide, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 11 – DISCONTINUED OPERATION

In 2009, management decided to discontinue the primary business of our TEDI subsidiary which manufactured and marketed a mobile utility system. This decision was based on management's assessment that the market for this type of product had greatly decreased due to changes in the economy and funding from FEMA-type programs as well as the unavailability of company resources that would be required to market this product. Also in 2009, we were served with a lawsuit that alleged that Titan Energy had violated a confidentiality agreement with another manufacturer for these mobile utility units. Since we had already decided to discontinue these operations and rather than incur the legal and related expenses of going to trial, management agreed to settle the lawsuit without admitting any wrongdoing by us or our management.

The Company has recorded the loss on the settlement based on the recorded value of the assets and the fair market value of the common stock to be approximately \$187,213 at December 31, 2009. The settlement agreement was effective as of November 1, 2009. In conjunction with the decision to discontinue this business, the Company took non-cash impairment charge on intangible assets of \$1,146,087 at September 30, 2009. For the three months ended June 30, 2009 there were no revenue and net loss from the operations of TEDI was \$27,293. For six months ended June 30, 2009 the revenue and net loss was \$19,949 and \$87,882 respectively. At June 30, 2010, there are no assets on TEDI books and there is \$47,312 of accounts payable that will be paid by the parent company.

NOTE 12 – SUBSEQUENT EVENTS

In accordance with our Series D Preferred Stock, after 24 months a holder could elect to convert its stock to common shares based on the lesser of (i) \$1.00 or (ii) a price per share equal to the volume weighted average closing price for the twenty trading days prior to a conversion. As of August 10, 2010, an additional 10 shares of Series D Preferred Stock have been converted into 196,078 shares of common stock. In addition, the Company issued 1,310,000 shares of common stock for the exercise of 1,248,961 warrants in the third quarter through August 10, 2010. The company also issued common shares totaling 441,958 for note conversion of \$130,000 principal balance and accrued interest of \$8,879. These exercises were done on a net share basis.

In the period from July 1, 2010 and August 12, 2010, the Company has received \$350,000 of proceeds through convertible debt offering on the same terms as the convertible debt described in the first paragraph under the table Note 3.

On July 12 2010, the Company entered a consulting agreement with the principals of a brokerage firm. The compensation to the principals will be 150,000 stock options with a strike price of \$0.60 per share

The Company has performed a review of events subsequent to the balance sheet date, and, except for the matters described in this note, no other matters require disclosure.

ITEM 2. Management's Discussion and Analysis or Plan of Operation.

Statements included in this Management's Discussion and Analysis or Plan of Operation, and in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases and in oral statements made with the approval of an authorized executive officer which are not historical or current facts are "forward-looking statements" and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The following important factors, among others, in some cases have affected and in the future could affect our actual results and could cause our actual financial performance to differ materially from that expressed in any forward-looking statement: (i) the extremely competitive conditions that currently exist in the market for companies similar to us, and (ii) the lack of resources to maintain our good standing status and requisite filings with the SEC. The foregoing list should not be construed as exhaustive and we disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

OUR BUSINESS

Titan Energy Worldwide, Inc., a Nevada corporation, is hereinafter referred to as "we," "us," "our" "Titan Energy," or the "Company."

We are a provider of onsite power generation, energy management and energy efficiency, products and services that help support and improve the performance of our nation's electrical utility grid. We operate in an area of the overall electrical utility infrastructure called Distributed Generation, whereby we specialize in the deployment of power generation equipment at the consumer's facility and the integration of that equipment through monitoring and communication systems into the utility's electrical grid. These onsite power generation systems support a customer's critical operations during times of power failure and serve as demand reduction systems that work to reduce energy usage and decrease demand on the electrical grid during peak periods. Management believes that, Distributed Generation, when managed with the proper intelligent monitoring systems and controls, offers a vital and significant contribution to the development of the nation's Smart Grid. We contribute the tools and resources to produce immediate and long term improvements in the performance and stability of the energy production and transmission segments of the electrical grid and reduce the need for new power plants.

We believe that key drivers in our market include an ailing power grid, the need and demand for reliable power, legislative mandates for back up and emergency power systems in critical industries and utility-based programs to support the use of onsite power generation during peak load periods. We provide equipment and service to a broad market, including: financial institutions, telecommunication centers, health care facilities, data centers, grocery store chains, manufacturers, gas stations and others.

In 2006, we acquired Stellar Energy, a Minneapolis-based provider of power generation equipment and service. Stellar Energy is now called Titan Energy Systems ("TES") and has expanded its number of sales and service offices to include Nebraska, Iowa, North and South Dakota, New York, New Jersey and Connecticut. TES provides the Company and its satellite offices with much of its accounting and back office support.

In 2009, we acquired the Industrial and Service Division of RB Grove, Inc., a 52-year-old power generation provider located in Miami, Florida. This company is now called Grove Power Inc. ("GPI") and will be responsible for our expansion throughout the Southeastern United States, the Caribbean and Central America.

In 2009, we also acquired a power generation business in New Jersey which gave us purchase orders, backlog and extensive customer and marketing relationships in New York, Connecticut and New Jersey. This business has been involved in managing several major solar installations as well as electrical generators. This business has been merged into TES.

In January 2010, we acquired a company engaged in energy audits, energy consulting and energy services. This company has a consulting agreement with a Midwest utility to do energy assessments.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Sales

Sales for the three months ended June 30, 2010 were \$4,002,000 compared to \$2,085,050 for the three months ended June 30, 2009 and were partially attributable to an increase in sales at our TES subsidiary, without the New York office, which increased by \$549,342 or 32.1% over the three months ended June 30, 2009. This increase was primarily due to strong equipment sales. The New York office established in November 2009, posted quarterly sales of approximately \$900,000 an increase of 256% over the first quarter of 2010. Another reason for this increase was the inclusion of GPI, which was acquired on June 1, 2009 and contributed \$823,900 in sales during the three months ended June 30, 2010, the highest quarterly sales level since the business was acquired.

Cost of Sales

Cost of sales was \$2,943,616 for the three months ended June 30, 2010 compared to \$1,554,801 for the three months ended June 30, 2009. In 2009, we reclassified cost of sales to only include the costs directly related to the equipment or services sold. Management believes that this type of classification is more consistent with reporting made by other companies in our industry. Cost of sales as a percentage of sales was 73.5% for the three months ended June 30, 2010 compared to 74.6% for the three months ended June 30, 2009. The slight improvement in cost of sales was primarily attributable to better pricing on GPI's sales. The gross margin on the service contracts was 56.5% compared to 53.5% for the three months ended June 30, 2010 and 2009, respectively. The higher margin is due to improvements at TES and GPI through better pricing and more efficient scheduling in its service department.

Selling and Service Expenses

Selling and service expenses includes all sales and service personnel, benefits related to these personnel and other costs in support of these functions. The selling and service expenses were \$542,674 for the three months ended June 30, 2010, or 13.6% of sales, compared to \$270,459 or 13.0% of sales, for the corresponding period in the prior year. The increase in selling and service expenses is primarily attributable to acquisition of GPI and the New York offices, as well as commission expense which is variable with sales volume and gross margin. In the three months ended June 30, 2010 and 2009 commission expense was \$93,805 and \$24,675. Excluding the commission expense, the selling and service expenses as percentage of sales would have been 11.2% and 11.8%. This slightly lower percentage is due to our fixed costs not increasing with the rise in the volume of sales.

General and Administrative Expenses

The general and administrative expense category reflects the cost of each subsidiary's management, accounting, facilities and office functions. We believe that these support functions allow us to look at the profitability of each subsidiary on a standalone basis. General and administrative expenses were \$253,916 for the three months ended June 30, 2010, compared to \$178,921 for the three months ended June 30, 2009, an increase of \$74,995. The increase was primarily attributable to the acquisition of GPI, which was acquired June 1, 2009 and contributed \$53,500 in general and administrative expenses. The addition of the New York sales office contributed an additional \$17,500 to the general and administrative costs.

Corporate Overhead

Included in corporate overhead expenses are the salaries and travel expenses of our officers, legal fees, audit fees, investor relations and other costs associated with being an SEC registrant. Corporate overhead for the three months ended June 30, 2010 was \$258,726 as compared to \$294,922 for the three months ended June 30, 2009. The decrease were attributable to lower professional fees that were associated with the acquisition of GPI and other potential candidates, reduction in personnel costs and lower rent expense.

Research and Development

We entered into a contract in May 2010 with a third party to enhance our monitoring system to be able to provide better information to our customers on the condition and operations of their generating equipment. This program will assist us in entering the demand response market, which is part of our long-term strategy. The expense for the three months ended June 30, 2010 was \$45,000. We anticipate additional expenses in the future as we continue product development, however the final product, when ready for deployment in the marketplace, will be a fixed asset of the Company. There were no research and development expenses for the same period as last year.

Share-Based Compensation and Payments

This caption represents the costs associated with stock or stock options as a form of payment. These costs are non-cash charges and are based on actual stock price at the time of payment or through Black-Scholes calculations. In return for helping us achieve record sales levels and profitability at the subsidiary level, all of our employees received stock options for the first time in 2009. The fair value costs recognized in the three months ended June 30, 2010 were approximately \$116,000. Most of these options were granted on November 12, 2009. We also granted stock options and stock awards to investor relations professional associates in the fourth quarter of 2009. The total expense for the investor relation professionals in the three months ended June 30, 2010 and 2009 was approximately \$102,025 and \$9,375, respectively.

Depreciation and Amortization

The amounts in this category include depreciation on our fixed assets and amortization of our intangibles, represented primarily by our customer lists. The expense for the three months ended June 30, 2010 was \$57,657 compared to \$39,725 in the three months ended June 30, 2009. The higher costs are due to the acquisition of GPI and our new sales office in New York.

Other Expenses

Net interest expense for the three months ended June 30, 2010 was \$47,344 compared to \$12,101 for the three months ended June 30, 2009. The higher interest expense was attributable to convertible promissory notes and notes in conjunction with the acquisition of GPI. The convertible promissory notes have warrants attached and therefore, under generally accepted accounting principles, we allocated a portion of the proceeds to the warrants, which results in a discount to the outstanding debt. In addition, some of these notes have a beneficial conversion feature that is also treated as a debt discount. The amortization of debt discount and financings costs for the three months ended June 30, 2010 was \$257,566 compared to \$5,026 for the three months ended June 30, 2009, which was prior to the issuance of convertible debt.

Discontinued Operations

In 2009, management decided to discontinue the primary business of our TEDI subsidiary which manufactured and marketed a mobile utility system. This decision was based on management's assessment that the market for this type of product had greatly decreased due to changes in the economy and funding from FEMA-type programs as well as the unavailability of company resources which would be required to market this product. Also in 2009, we were served with a lawsuit that alleged Titan Energy had violated a confidentiality agreement with another manufacturer for these mobile utility units. Since we had already decided to discontinue these operations and rather than incur the legal and related expenses of going to trial, management agreed to settle the lawsuit without admitting any wrongdoing by some people. Under the terms of the settlement we gave the plaintiff certain inventory, fixed assets and intellectual property related solely to our mobile response unit, and 200,000 shares of common stock that will be restricted for one year. The loss of \$187,213 was recorded in the third quarter of 2009. In addition, we had an impairment of our intangibles, including our customer list and goodwill related to this business, and recorded a non-cash charge of \$1,146,087 at September 30, 2009. For the three months ended June 30, 2009, there was no revenue and net loss of TEDI was \$27,293.

Net Loss

Net loss for the three months ended June 30, 2010 was \$616,046, or \$0.03 per basic and diluted share, compared to a net loss of \$312,865, or \$0.02 per basic and diluted share, for the three months ended June 30, 2009. Excluding stock-based compensation charges, debt discounts for warrants and beneficial conversion features in our convertible debt and amortization of expenses related to acquisition-related assets, our non-GAAP net loss for the three months ended June 30, 2010 was \$120,330 or \$0.01 per basic and diluted share, compared to a non-GAAP net loss of \$281,836 or \$0.02 per basic and diluted share, for the three months ended June 30, 2009. Please refer to the section below entitled "Use of Non-GAAP Financial Measures" for a reconciliation of non-GAAP measures to the most directly comparable measure calculated and presented in accordance with GAAP.

Use of Non-GAAP Financial Measures

In this Quarterly Report on Form 10-Q, we provide certain "non-GAAP financial measures." A non-GAAP financial measure refers to a numerical financial measure that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable financial measure calculated and presented in accordance with GAAP in our financial statements. In this Quarterly Report on Form 10-Q, we provide non-GAAP net income (loss) and non-GAAP net income (loss) per share data as additional information relating to our operating results. These non-GAAP measures exclude expenses related to stock-based compensation, warrants and beneficial conversion features from issuing convertible securities and amortization expense related to acquisition-related assets. Management uses these non-GAAP measures for internal reporting and forecasting purposes. We have provided these non-GAAP financial measures in addition to GAAP financial results because we believe that these non-GAAP financial measures provide useful information to certain investors and financial analysts in assessing our operating performance due to the following factors:

- We believe that the presentation of non-GAAP measures that adjust for the impact of stock-based compensation expenses, warrants and beneficial conversion features from issuing convertible securities and amortization expense related to acquisition-related assets provides investors and financial analysts with a consistent basis for comparison across accounting periods and, therefore, are useful to our investors and financial analysts in helping them to better understand our operating results and underlying operational trends;
- Although stock-based compensation is an important aspect of the compensation of our employees and executives, stock-based compensation expense is generally fixed at the time of grant, then amortized over a period of several years after the grant of the stock-based instrument, and generally cannot be changed or influenced by management after the grant;
- We believe that companies must use creative ways of raising capital for growth. Therefore, we have used in our convertible debt offering detachable warrants and beneficial conversion features. These amounts are treated as debt discounts that amortize over the life of the debt and have no impact on the cash received to operate the business;
- We do not acquire intangible assets on a predictable cycle. Our intangible assets relate solely to business acquisitions. Amortization costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition.

Pursuant to the requirements of the SEC, we have provided below a reconciliation of each non-GAAP financial measure used to the most directly comparable financial measure prepared in accordance with GAAP. These non-GAAP financial measures are not prepared in accordance with GAAP. These measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare our performance to that of other companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income (loss) or net income (loss) per share in accordance with GAAP for the three months ended June 30:

| | 2010 | 2009 |
|---|--------------|--------------|
| GAAP Net Loss | \$ (616,046) | \$ (312,865) |
| Adjustments add back: | | |
| Share-based compensation and payments | 218,505 | 9,375 |
| Amortization of debt discount | 240,557 | - |
| Amortization of intangibles | 36,655 | 21,654 |
| Non-GAAP Net Loss | \$ (120,329) | \$ (281,836) |
| Weighted average shares | 23,031,889 | 15,701,946 |
| Basic and diluted loss per common share | \$ (0.01) | \$ (0.02) |

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Sales

Sales for the six months ended June 30, 2010 were \$7,019,465 compared to \$3,772,356 for the six months ended June 30, 2009 and were partially attributable to an increase in sales at our TES subsidiary, excluding the New York office, increased by \$804,556, or 23.8%, over the three months ended June 30, 2009. This increase was primarily due to strong equipment sales to a major customer in the first quarter. As a result of the addition of the New York office, which was established in November 2009, sales for the six months ended June 30, 2010 were approximately \$1,250,000. This sales growth is partially attributable to additional opportunity and support provided by TES in completing projects on a more timely basis. Another reason for this increase was the inclusion of GPI for the full six months in 2010 compared to one month in 2009. Sales for GPI in six months ended June 30, 2010 was approximately \$1,564,000 compared to the one month for 2009 of approximately \$361,000.

Cost of Sales

Cost of sales was \$5,022,589 for the six months ended June 30, 2010 compared to \$2,751,032 for the six months ended June 30, 2009. In 2009, we reclassified cost of sales as described above in the three months comparison. Cost of sales as a percentage of sales was 71.6% for the six months ended June 30, 2010 compared to 72.9% for the three months ended June 30, 2009. The slight improvement in cost of sales was primarily attributable to better pricing and more efficient scheduling in our service departments. The dollar increase is attributable to higher sales.

Selling and Service Expenses

Selling and service expenses includes all sales and service personnel, benefits related to these personnel and other costs in support of these functions. The selling and service expenses were \$1,016,922 for the six months ended June 30, 2010, or 14.5% of sales, compared to \$514,765 or 13.6% of sales, for the six months ended June 30, 2009. The increase in selling and service expenses of approximately \$324,000 is primarily attributable to the inclusion of GPI and the New York sales office for the six months ended June 30, 2010. The remainder of the increase is the addition of sales support personnel and higher commissions paid at TES.

General and Administrative Expenses

General and administrative expenses were \$539,361 for the six months ended June 30, 2010, compared to \$357,017 for the six months ended June 30, 2009, an increase of \$182,344. The increase was primarily attributable to the acquisition of GPI, which was acquired June 1, 2009 and contributes approximately \$119,000 in general and administrative expenses. The addition of the New York sales office contributed an additional \$30,000 to the general and administrative costs.

Corporate Overhead

Included in corporate overhead expenses are the salaries and travel expenses of our officers, legal fees, audit fees, investor relations and other costs associated with being an SEC registrant. Corporate overhead for the six months ended June 30, 2010 was \$530,568 as compared to \$581,299 for the six months ended June 30, 2009, a decrease of \$50,731. This decrease is explained under the three months comparison.

Research and Development

See discussion under three months comparison.

Share-Based Compensation and Payments

In return for helping us achieve record sales levels and profitability at the subsidiary level, all of our employees received stock options for the first time in 2009. The fair value costs recognized in the six months ended June 30, 2010 were approximately \$233,000. Most of these options were granted on November 12, 2009. We also granted stock options and stock awards to our legal and investor relations professional associates in the fourth quarter of 2009. The total expense in the six months ended June 30, 2010 and 2009 was approximately \$203,000 and \$19,000, respectively.

Depreciation and Amortization

The amounts in this category include depreciation on our fixed assets and amortization of our intangibles, represented primarily by our customer lists. The expense for the six months ended June 30, 2010 was \$115,152 compared to \$77,149 in the six months ended June 30, 2009. The higher costs are due to the acquisition of GPI and our new sales office in New Jersey.

Other Expenses

Net interest expense for the six months ended June 30, 2010 was \$93,301 compared to \$25,230 for the six months ended June 30, 2009. As explained under the three months comparison, the convertible debt issued by the Company resulted in accounting for fair value of the warrants and any beneficial conversion features as debt discount. The amortization of debt discount and financings costs for the six months ended June 30, 2010 was \$395,508 compared \$6,007 for the six months ended June 30, 2009.

Discontinued Operations

As explained under the three months discussion above, the Company discontinued the operations of TEDI in 2009. For the six months ended June 30, 2009, the revenue and net loss of TEDI was \$19,825 and \$87,882, respectively.

Net Loss

Net loss for the six months ended June 30, 2010 was \$1,165,991, or \$0.06 per basic and diluted share, compared to a net loss of \$649,781, or \$0.04 per basic and diluted share, for the six months ended June 30, 2009. Excluding stock-based compensation charges, debt discounts for warrants and beneficial conversion features in our convertible debt and amortization of expenses related to acquisition-related assets, our non-GAAP net loss for the six months ended June 30, 2010 was \$293,543, or \$0.02 per basic and diluted share, compared to a non-GAAP net loss of \$581,222 or \$0.04 per basic and diluted share, for the six months ended June 30, 2009. Please refer to the section below entitled "Use of Non-GAAP Financial Measures" for a reconciliation of non-GAAP measures to the most directly comparable measure calculated and presented in accordance with GAAP.

Use of Non-GAAP Financial Measures

In this Quarterly Report on Form 10-Q, we provide certain "non-GAAP financial measures." A non-GAAP financial measure refers to a numerical financial measure that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable financial measure calculated and presented in accordance with GAAP in our financial statements. In this Quarterly Report on Form 10-Q, we provide non-GAAP net income (loss) and non-GAAP net income (loss) per share data as additional information relating to our operating results. These non-GAAP measures exclude expenses related to stock-based compensation, warrants and beneficial conversion features from issuing convertible securities and amortization expense related to acquisition-related assets. Management uses these non-GAAP measures for internal reporting and forecasting purposes. We have provided these non-GAAP financial measures in addition to GAAP financial results because we believe that these non-GAAP financial measures provide useful information to certain investors and financial analysts in assessing our operating performance due to the factors explained in the three months comparison:

Pursuant to the requirements of the SEC, we have provided below a reconciliation of each non-GAAP financial measure used to the most directly comparable financial measure prepared in accordance with GAAP. These non-GAAP financial measures are not prepared in accordance with GAAP. These measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare our performance to that of other companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income (loss) or net income (loss) per share in accordance with GAAP for the six months ended June 30:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| GAAP Net Loss | \$ (1,165,991) | \$ (649,781) |
| Adjustments add back: | | |
| Share-based compensation and payments | 436,088 | 18,750 |
| Amortization of debt discount | 363,051 | - |
| Amortization of intangibles | 73,309 | 49,809 |
| Non-GAAP Net Loss | <u>\$ (293,543)</u> | <u>\$ (581,222)</u> |
| Weighted average shares | <u>19,486,281</u> | <u>15,716,918</u> |
| Basic and diluted loss per common share | <u>\$ (0.02)</u> | <u>\$ (0.04)</u> |

LIQUIDITY AND CAPITAL RESOURCES

We incurred a net loss for the six months ended June 30, 2010 of \$1,165,991, which includes non cash items of \$947,048. At June 30, 2010, we had an accumulated deficit of \$27,421,711 which includes non-cash charges of \$15,176,259 for the early extinguishment Series A, B and C Preferred Stock in 2007, the issuance of Series D Preferred Stock with a beneficial conversion feature, and the write-off of the intangibles related to discontinued operations. The accumulated deficit without these transactions would have been \$12,245,512. We intend to continue to find ways to expand our business through increasing equipment and service sales in existing territories and possibly through completing planned acquisitions. We believe that revenues and earnings will increase as we grow. We anticipate that we will incur smaller losses in the near future if we are not able to expand our business.

During the six months ended June 30, 2010, cash provided by operations was \$25,004. The first quarter of 2010 had cash used by operations of \$212,860. The second quarter of 2010 provided cash from operations of \$237,864. This improvement is the result of better management of our operating assets and liabilities. During the six months ended June 30, 2010, we used cash for investing activities of \$98,223 primarily for the acquisition of our New York sales office. Cash provided by financing activities during the six months ended June 30, 2010 was \$697,495. This included \$780,000 through convertible debt offerings. Some of these proceeds had been used to pay off debt that was provided in the acquisition of GPI. We also have borrowed from our credit line. This line has been renewed with a maturity date of June 22, 2011. The terms of the credit line are the same as it was in prior years.

Management set a goal to be cash positive in the second quarter of 2010 based on the formula using Non-GAAP Earnings and adding back research and development expense, interest and depreciation. This measurement produced net cash in flow of \$3,496 for the three months ended June 30, 2010, compared to net cash out flow of \$232,380 for the three months ended June 30, 2009. This is an improvement of \$235,876. We believe that as our business becomes more profitable and we reduce corporate overhead, becoming cash positive in future quarters is an attainable goal.

At June 30, 2010, we had \$669,677 in cash and short-term investments. Our credit facility has been renewed with a new maturity date of June 22, 2011. We also believe that, with our higher stock value and our ability to raise funds, combined with our effort to improve the profitability of our subsidiaries and control our expenses, we will have adequate cash flow to operate our business.

If we make a strategic acquisition, it will be necessary for us to raise additional capital. There can be no assurance that additional private or public financings, including debt or equity financing, will be available as needed, or, if available, on terms favorable to us. Any additional equity financing may be dilutive to stockholders and such additional equity securities may have rights, preferences or privileges that are senior to those of our existing common stock.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In accordance with Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2010. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file with or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is effective in ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Notwithstanding the foregoing, we cannot assure you that our disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in our periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. (Removed and Reserved).

ITEM 5. Other Information

None.

ITEM 6. Exhibits

| Exhibit No. | Description |
|------------------------|--|
| 31.1 | Certification of Jeffrey W. Flannery, Chief Executive Officer of the Company, pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of James J. Fahrner, Chief Financial Officer of the Company, pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Jeffrey W. Flannery, Chief Executive Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of James J. Fahrner, Chief Financial Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TITAN ENERGY WORLDWIDE, INC.

Dated: August 16, 2010

By: /s/ Jeffrey W. Flannery
Jeffrey W. Flannery
Chief Executive Officer

Dated: August 16, 2010

By: /s/ James J. Fahrner
James J. Fahrner
Chief Financial Officer

EXHIBIT INDEX

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| 32.1 | Certification of Jeffrey W. Flannery, Chief Executive Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of James J. Fahrner, Chief Financial Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey W. Flannery, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Titan Energy Worldwide, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 16, 2010

/s/ Jeffrey W. Flannery
Jeffrey W. Flannery
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James J. Fahrner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Titan Energy Worldwide, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 16, 2010

/s/ James J. Fahrner

James J. Fahrner

Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Titan Energy Worldwide, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey W. Flannery, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 16, 2010

/s/ Jeffrey W. Flannery
Jeffrey W. Flannery
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Titan Energy Worldwide, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James J. Fahrner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 16, 2010

/s/ James J. Fahrner

James J. Fahrner
Chief Financial Officer