

## **CURRENT REPORT**

**of**

## **MXENERGY HOLDINGS INC.**

**November 20, 2006**

---

Pursuant to Section 4.03 of the Indenture, dated as of August 4, 2006 (the “Indenture”), by and among MxEnergy Holdings Inc. (“MXenergy”), certain of its subsidiaries named therein, as Guarantors, Law Debenture Trust Company of New York, as Trustee (the “Trustee”), and Deutsche Bank Trust Company Americas, as Paying Agent and Registrar, relating to the Floating Rate Senior Notes due 2011 issued by MXenergy (the “Notes”), MXenergy is furnishing the information contained herein to the holders of the Notes.

### Earnings Release for the Three Month Period Ended September 30, 2006

On November 13, 2006, MXenergy issued an earnings release reporting its financial results for the three month period ended September 30, 2006 (the “Earnings Announcement”). A copy of the Earnings Announcement is attached to this Current Report as Exhibit 99.1.

### Transcript of Earnings Call

On November 14, 2006, MXenergy held a conference call to discuss its financial results for the three month period ended September 30, 2006. A copy of the transcript (the “Transcript”) of the call is attached to this Current Report as Exhibit 99.2. The Transcript has been selectively edited to facilitate the understanding of the information communicated during the conference call.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MXENERGY HOLDINGS INC.

Date: November 20, 2006

By: 

Name: Carole R. Artman-Hodge

Title: Director and Executive Vice President



FOR IMMEDIATE RELEASE

CONTACT: Carole R. Artman-Hodge  
Tel 203 356 1318  
Email investorrelations@mxenergy.com

**MXENERGY REPORTS FIRST QUARTER ENDED SEPTEMBER 30, 2006 OPERATING RESULTS: Earnings Conference Call Scheduled for 9:30 a.m. EST, November 14, 2006**

**Stamford, CT, November 13, 2006** – MxEnergy Holdings Inc. (“MXenergy” or the “Company”) announced today its operating results for the first quarter ended September 30, 2006.

MXenergy reported adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) of \$1.4 million for the quarter ended September 30, 2006, as compared to Adjusted EBITDA of \$3.9 million for the prior year period ended September 30, 2005. Adjusted EBITDA excludes unrealized gains and losses from risk management activities and non-cash compensation expenses. The decrease of \$2.5 million versus the prior year was due primarily to a net gain of \$2.5 million recorded in the prior year period versus a loss of \$0.8 million in the current period related to settlement of risk management activities during the respective quarters associated with ending inventory balances. These gains and losses are largely offset in subsequent periods by the associated effect on margins when the inventory is sold to retail customers under fixed rate contracts.

As explained in previous announcements, MXenergy has not elected to designate any derivative instruments as hedges in accordance with the provisions of Financial Accounting Standards Board No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended and interpreted, and accordingly any changes in derivative fair value must be adjusted through unrealized losses (gains) from risk management activities in the consolidated statements of operations. The election not to perform hedge accounting can have an impact on earnings as the change in fair value of derivatives may impact operations during a different period than the associated margin achieved on the physical sale of natural gas. The Company will continue to experience volatility in quarterly and annual earnings as a result of its election to not perform hedge accounting.

On August 1, 2006, we acquired substantially all of the assets of Shell Energy Services, L.L.C. (“SESCO”), a wholly owned subsidiary of Shell Oil Company, serving primarily residential and small commercial customers.

In August 2006, MXenergy approved a plan to move certain of its employees and operations to Houston, TX in conjunction with the SESCO acquisition. The terms of this rationalization plan, which are specific to each employee affected, include various employee benefit cost components such as severance, retention bonuses and reimbursement of relocation costs. MXenergy estimates that maximum rationalization charges for the plan, all of which relate to employee severance and benefits, will amount to approximately \$1.5 million.

MXenergy is in the process of transitioning several of its functions to Houston, including IT,

customer data solutions, accounting operations, collections and pricing. While MXenergy cannot predict the exact timing of the movement of these selected operations to Houston, it is anticipated that most of them will be completed by the end of fiscal year 2007. Corporate functions, including marketing, finance, risk management and legal will remain in Connecticut, as will the corporate headquarters.

**Highlights of MXenergy's operating results for first quarter ended September 30, 2006 as compared to the prior year period include:**

Sales for the quarter ended September 30, 2006 were \$74.8 million, up \$41.9 million, or 128%, compared to the same period last year, principally due to increased natural gas consumption associated with the accounts purchased from SESCo. In addition, the average selling price per unit (including fee revenue) increased by \$2.04 to \$9.88 per mmbtu, largely due to the higher price of natural gas when fixed price customers were added or renewed and fee income realized from certain of the SESCo customers we acquired.

Our customer base continues to be comprised of approximately 98% natural gas customers. The majority of our gas is sold during our second and third fiscal quarters (or November through March in a calendar year). This causes seasonal volatility in our quarterly earnings and cash flows. Our first quarter fiscal year numbers therefore are not necessarily a reflection of future quarter results.

Gross loss for the three month period ended September 30, 2006 was \$34.0 million compared to a gross profit of \$127.9 million in the same period last year. The decrease is primarily related to changes in the market value of our risk management activities of \$166.4 million resulting from changes in forward natural gas prices between the periods. This decrease will be offset in future periods by higher margins, as physical gas is delivered to retail customers under the remaining terms of their fixed rate contracts.

In its segment analysis, MXenergy evaluates performance based on several factors of which the primary financial measure is gross profit adjusted to exclude the effect of any unrealized gains or losses from risk management activities. Management classifies its business interests into three reportable segments: residential and small commercial natural gas, mid-market commercial natural gas and electricity. The combined adjusted gross profit for the period ended September 30, 2006, was \$13.6 million, an increase of \$4.5 million over the prior year. This increase is net of a gain of \$2.5 million recorded in the prior year period and a loss of \$0.8 million in the current period related to settlement of risk management activities during the respective quarters associated with ending inventory balances. These gains and losses are largely offset in subsequent periods by the associated effect on margins when the inventory is sold to retail customers under fixed rate contracts.

Operating expenses for the three months ended September 30, 2006 were \$20.0 million, up 156% from \$7.8 million in the same period ended September 30, 2005. This was primarily due to increased staffing levels and related costs, higher customer care costs, increased depreciation and amortization expense and reserves for bad debt, all of which were mainly related to the SESCo acquisition. In addition, MXenergy recorded rationalization charges of \$0.5 million and \$0.8 million for management bonuses related to the acquisition of SESCo.

For the three month period ended September 30, 2006, MXenergy recorded a \$25.4 million income tax benefit compared to a \$48.8 million income tax expense for the prior year period. The change from the prior year is attributable to the change from pre-tax income for the three month period ended September 30, 2005 of \$119.6 million to a pre-tax loss for the period ended September 30, 2006 of \$62.6 million. All significant changes were

previously discussed.

Residential Customer Equivalents (or RCEs, each reflecting 100 mmbtus of annual natural gas consumption) for the three month period ended September 30, 2006 were approximately 673,800, an increase of 87%, or approximately 313,400 RCEs over the prior year period, due to the customers acquired in the SESCO acquisition.

Average in-contract attrition for the fiscal years 2003 through 2006 approximated 23%. Attrition for the three month period ended September 30, 2006 was approximately 9% for an annualized rate of 36%. This period attrition includes customer losses experienced from our acquisition of SESCO accounts as well as challenging pricing and market conditions. October 2006 attrition reflects an annualized attrition more in line with MXenergy's past experience.

MXenergy continues to market to new customers using direct mail, internet, telemarketing, brand awareness advertising, and door to door channels. We employ win back programs for customers who recently have left us. In addition, we are increasing our efforts to sell to the mid-market commercial segment. We have introduced a weekly newsletter, a monthly energy specialist teleconference, regional open houses with MXenergy representatives and a more responsive pricing desk.

#### **Conference Call**

MXenergy will host a conference call to discuss its first quarter ended September 30, 2006 results on November 14, 2006, at 9:30 a.m. EST. The dial-in information for the earnings call is as follows: 800 259 0251 (in the U.S.); 617 614 3671 (international); participant passcode 60763958.

A replay of the conference call will be available for 30 days beginning on November 17, 2006 at the Investor Relations link at [www.mxholdings.com](http://www.mxholdings.com).

During the conference call, representatives of MXenergy may discuss and answer one or more questions concerning MXenergy's business and financial matters. The responses to these questions, as well as other matters discussed during the call, may contain information that has not been previously disclosed.

#### **First Quarter Fiscal Year 2007 Report**

MXenergy will furnish its first quarter report for the period ended September 30, 2006 to the Trustee of its senior notes on November 14, 2006. In addition, MXenergy also intends to furnish the Trustee on or before November 17, 2006 with a current report containing a transcript of the earnings conference call.

#### **Non-GAAP Financial Measure**

Adjusted EBITDA (as defined herein) is a non-GAAP financial measure (i.e., it is not a measure of financial performance under generally accepted accounting principles) and should not be considered in isolation from or as a substitute for consolidated statements of operations and cash flow data prepared in accordance with GAAP. Adjusted EBITDA, as used herein, is not necessarily comparable to similarly titled measures of other companies. For definitions of and additional information regarding Adjusted EBITDA and a reconciliation of such measure to the most comparable measure calculated in accordance with GAAP, please see the attachments to this press release.

Adjusted EBITDA is commonly used by financial analysts in evaluating performance of companies, including energy companies. Accordingly, MXenergy believes that Adjusted EBITDA may be useful in assessing our operating performance. MXenergy also believes that this measure allows a standardized comparison between companies in the energy industry, while minimizing the differences from depreciation policies, financial leverage and tax strategies.

The information in this press release should be read in conjunction with the financial statements and footnotes contained in MXenergy's annual report and its quarterly report for the three months ended September 30, 2006.

### **About MXenergy**

MXenergy is one of the fastest growing retail natural gas suppliers in the country, serving approximately 500,000 customers in 28 utility territories for natural gas and 6 utility territories for electricity in the United States and Canada. Founded in 1999 to provide natural gas and electricity to consumers in deregulated energy markets, MXenergy helps residential customers and small business owners control their energy bills by providing both fixed and variable rate plans. For more information, contact Carole R. Artman-Hodge, Executive Vice President, MXenergy at 203-356-1318 or at [investorrelations@mxenergy.com](mailto:investorrelations@mxenergy.com).

### **Forward Looking Statements**

The statements in this press release that are not historical facts are forward-looking statements that are subject to material risks and uncertainties. Investors are cautioned that any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties, and that actual results or developments may differ materially from those in the forward-looking statements as a result of various factors. These risks and uncertainties include, but are not limited to, our future performance generally; our business goals, strategy, plans, objectives and intentions; our integration of the assets we acquired from SESCo in August 2006; expectations concerning future operations, margins, profitability, attrition, bad debt, interest rates, liquidity and capital resources; and expectations regarding the effectiveness of our hedging practices and the performance of suppliers, pipelines and transmission companies, storage operators, independent system operators, and other counterparties supplying, transporting, and storing physical commodity. MXenergy does not undertake to update any forward-looking statements in this press release or with respect to matters described herein.

# # #

**MxEnergy Holdings Inc.**  
**Condensed Consolidated Balance Sheets**  
**As of September 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
<b>Assets:</b>		
Cash	<b>\$24,746,435</b>	\$39,434,228
Other current assets	<b>188,397,457</b>	63,648,622
Unrealized gains from risk management activities	<b>333,836</b>	196,439,327
Other long term assets	<b>107,722,274</b>	14,671,089
<b>Total Assets</b>	<b><u>\$321,200,002</u></b>	<b><u>\$314,193,266</u></b>
<b>Liabilities, redeemable convertible preferred stock and stockholders' equity:</b>		
Current and long term debt	<b>185,408,333</b>	24,789,854
Unrealized losses from risk management activities	<b>53,174,163</b>	-
Other liabilities	<b>53,777,332</b>	112,484,618
Redeemable convertible preferred stock	<b>29,357,367</b>	29,357,367
Stockholders' equity	<b>(517,193)</b>	147,561,427
<b>Total liabilities, redeemable convertible preferred stock and stockholders' equity</b>	<b><u>\$321,200,002</u></b>	<b><u>\$314,193,266</u></b>

**MxEnergy Holdings Inc.**  
**Condensed Consolidated Statements of Operations**  
**For The Three Months Ended September 30, 2006 and 2005**  
**(Unaudited)**

	<b>2006</b>	<b>2005</b>
Sales of natural gas and electricity	<b>\$74,796,452</b>	\$32,866,593
Cost of goods sold (excluding depreciation and amortization):		
Cost of natural gas and electricity sold	<b>56,993,851</b>	44,748,434
Realized losses (gains) from risk management activities	<b>4,173,092</b>	(20,998,936)
Unrealized losses (gains) from risk management activities	<b>47,605,051</b>	(118,754,601)
	<b>108,771,994</b>	(95,005,103)
Gross (loss) profit	<b>(33,975,542)</b>	127,871,696
Operating expenses:		
General and administrative expenses	<b>11,778,184</b>	5,592,830
Advertising and marketing expenses	<b>834,032</b>	349,371
Reserves and discounts	<b>890,758</b>	265,634
Depreciation and amortization	<b>6,509,226</b>	1,637,777
Total operating expenses	<b>20,012,200</b>	7,845,612
Operating (loss) profit	<b>(53,987,742)</b>	120,026,084
Interest expense—net of interest income of \$449,000 and \$354,000, respectively	<b>8,575,407</b>	416,573
(Loss) income before income tax benefit (expense)	<b>(62,563,149)</b>	119,609,511
Income tax benefit (expense)	<b>25,366,521</b>	(48,803,172)
Net (loss) income	<b>\$(37,196,628)</b>	\$70,806,339

The table below represents a reconciliation of net (loss) income for the three months ended September 30, 2006 and 2005 to EBITDA and Adjusted EBITDA.

	<b>2006</b>	<b>2005</b>
Net income (loss)	\$ (37,196,628)	\$ 70,806,339
Add: Interest expense, net	8,575,407	416,573
Income tax (benefit) expense	(25,366,521)	48,803,172
Depreciation and amortization	6,509,226	1,637,777
EBITDA	\$ (47,478,516)	\$121,663,861
Subtract: Unrealized gains (losses) from management activities	(47,605,051)	118,754,601
Add: Non-cash stock compensation	1,291,187	971,076
Adjusted EBITDA	\$ 1,417,722	\$ 3,880,336

# Conference Call Transcript

## \*\*MXE - Sept 30, 2006 Earnings Release Call

Event Date/Time: Nov. 14. 2006 / 9:30AM ET

### CORPORATE PARTICIPANTS

**Carole Artman-Hodge**

*MxEnergy Holdings Inc. - EVP*

**Jeffrey Mayer**

*MxEnergy Holdings Inc. - President and CEO*

**Chaitu Parikh**

*MxEnergy Holdings Inc. - VP and CFO*

### CONFERENCE CALL PARTICIPANTS

**Matthew Chyra**

*Deutsche Bank - Analyst*

### PRESENTATION

---

**Operator**

Good day, ladies and gentlemen, and welcome to the September 30th, 2006, earnings release conference call. My name is Tawanda, and I will be your coordinator for today. [OPERATOR INSTRUCTIONS] I would now like to turn the call over to Mrs. Carole Artman-Hodge, Executive Vice President. Please proceed, ma'am.

---

**Carole Artman-Hodge - MxEnergy Holdings Inc. - EVP**

Thank you, Tawanda, and good morning. I am Carole Artman-Hodge, also known as Robi. I'm the Executive Vice President of MxEnergy Holdings Inc. Today, we will be reviewing with you our results for the three-month period ended September 30, 2006. Before we begin, though, I would like to remind you that certain statements made during this conference call which are not based on historical facts may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements.

Such factors include those risks described in our quarterly report, which will be available today, November 14th, 2006. All information is current as of the date of this call and the company undertakes no duty to update this information. In addition, we will, at the end of the call, take additional questions.

Due to SEC disclosure regulations, we will be limited to commenting on information that has already been made available by the company. We will not be able to talk at this point about events occurring after our fiscal quarter ended September 30, 2006, that have not previously been disclosed by the company.

Nov. 14. 2006 / 9:30AM ET, \*\*MXE - Sept 30, 2006 Earnings Release Call

Now I will turn the call over to Jeffrey A. Mayer, MxEnergy Holdings, Inc., President and Chief Executive Officer.

---

**Jeffrey Mayer - MxEnergy Holdings Inc. - President and CEO**

Thank you, Robi, and good morning. I am Jeff Mayer, President and CEO of MxEnergy Holdings. With me today in addition to Robi Artman-Hodge are Chaitu Parikh, our Vice President and Chief Financial Officer, as well as Tom Hartmann, our General Counsel.

Today, we are announcing our results for the quarter ended September 30th, 2006. The highlight of the quarter was the closing of the acquisition of substantially all the assets of Shell Energy Services Company, otherwise known as SESCO. Our first three months of fiscal year 2007 produced adjusted earnings before tax, interest, depreciation and amortization, that is, adjusted EBITDA, of \$1.4 million, down from the \$3.9 million we experienced during the same period of the prior year. This decrease of \$2.5 million over the period in the prior year was due primarily to a net \$2.5 million gain recorded in the prior period and a \$0.8 million loss in the quarter ended September 30th, 2006. Both of these related to the settlement of risk-management activities during the respective quarters, associated within ending inventory balances.

Sales for the three-month period ended September 30th, 2006, were \$74.8 million, up \$41.9 million, or 128%, compared to the same period in the prior year. This was primarily due to the inclusion of natural gas consumption by the customers acquired from SESCO during the three-month period ended September 30th, 2006.

The average selling price per unit, including fee revenue, increased by \$2.04 to \$9.88 per MMBTU compared to last year at this time, primarily due to the higher price of natural gas at the time fixed-price customers were renewed or added between the respective periods, plus fees associated with certain of the SESCO customers that we acquired.

We sold approximately 6.2 BCF, billion cubic feet, of gas in the three-month period ended September 30th, 2006, as compared to approximately 3.4 BCF in the same period in the prior year. This increased volume is attributable to the natural gas consumption from the customers acquired from SESCO. As a reminder, the majority of our sales take place during our second and third fiscal quarters, that is, the November through March period in any calendar year. This causes seasonal volatility in our quarterly earnings and cash flows. Our first quarter fiscal year numbers, therefore, are not necessarily a reflection of future quarterly results.

The number of residential customer equivalents, or, as we refer to them, RCEs, each reflecting 100 MMBTUs of annual consumption, for this three-month period ended September 30th, 2006, was approximately 673,800, an increase of 87%, or approximately 313,400 over the same period in the prior year, due to the customers acquired in the SESCO acquisition.

From fiscal year 2003 through fiscal year 2006, we experienced an average annual in-contract customer attrition rate of approximately 23%. Attrition for the three-month period ended this past September 30th, 2006, was 9%, which would represent an annualized attrition rate of 36%.

However, note that this increased attrition includes customer losses experienced and expected from our acquisition of SESCO accounts. It also reflects challenging pricing and market conditions, which impacted our ability to attract new customers and which we drew attention to in our offering memorandum.

Our October 2006 attrition calculations indicate an annualized attrition rate more in line with our past experience. We continue to market to new customers using direct mail, Internet, telemarketing, brand awareness, advertising and door-to-door channels. For a certain segment of our customer base, we also provide a weekly newsletter and we host a monthly conference call with an energy expert from Societe Generale, which updates our existing and our prospective customers on issues impacting the industry.

MxEnergy sales team members recently have begun sponsoring regional open houses to promote customer energy awareness. We have also created a more responsive pricing desk. We have instituted win-back programs, which have assisted in recovering numerous customers who have recently left us.

With the SESCO acquisition, we gained not only customers, but also systems and employees. In August 2006, the company approved a plan to transition certain of its operations to Houston, Texas. The terms of this rationalization plan, which are specific to each employee affected, include various cost components, such as severance, retention bonuses and reimbursement of relocation costs. The company estimates that maximum rationalization charges for the plan, all of which relate to employee severance and benefits, will amount to approximately \$1.5 million. We are in the process now of moving several of our operational functions to Houston, including our information systems, our IT, customer data solutions, accounting operations and pricing.

Nov. 14. 2006 / 9:30AM ET, \*\*MXE - Sept 30, 2006 Earnings Release Call

Our corporate functions, including marketing, finance, risk management and legal, will remain in Connecticut, as will our corporate headquarters. While we cannot predict the exact timing of the movement of these selected operations to Houston, we are aiming for most of these movements to be completed by the end of fiscal year 2007.

At this time, I will turn the call over to Chaitu Parikh, Vice President and Chief Financial Officer, for a more detailed discussion of our first quarter's financial results.

---

**Chaitu Parikh - MxEnergy Holdings Inc. - VP and CFO**

Thank you, Jeff. As Jeff explained to you, adjusted EBITDA for the three-month period ended September 30th, 2006, was \$1.4 million, down from \$3.9 million, or 64%, compared to the same period in the prior year. [*Editor's Note:*The transcript has been edited to clarify that adjusted EBITDA for the three-month period ended September 30<sup>th</sup>, 200 was \$1.4 million, down from \$3.9 million, or 64% compared to the same period in the prior year.]

We recorded a net gain of \$2.5 million in the prior-year quarter and a \$0.8 million loss in the current quarter, both of which related to settlement of risk-management activities during the respective quarters, associated with ending inventory balances. These gains and losses are largely offset in subsequent periods by the associated effect on margins when the inventory is sold to retail customers under fixed-rate contracts.

Again, I want to remind everyone that we have not elected to designate any derivative instruments as hedges in accordance with the provisions of SFAS Number 133 and, accordingly, any changes in derivative fair value must be adjusted through unrealized losses and gains from risk-management activities in the consolidated statements of operations. The election to not perform hedge accounting can have an impact on earnings as the change in the value of derivatives may impact operations during a different period than the associated margin achieved on the physical sale of natural gas.

We will continue to experience volatility in quarterly earnings from the settlement of hedges when market prices vary from the hedged price. You are seeing some of the impact of this decision in our first quarter operating results. As Jeff mentioned, sales for the three-month period ended September 30th, 2006 were \$74.8 million, up \$41.9 million, or 128%, compared to the prior period of the last fiscal year. This increase was principally due to natural gas consumption associated with the accounts purchased from SESCO.

Gross loss for the three-month period ended September 30th, 2006, was \$34 million, compared to a gross profit of \$127.9 million in the same period last year. The decrease is primarily related to changes in the market value of our unrealized risk management activities of \$166.4 million, resulting from volatility in forward natural gas prices between the periods. This decrease will be offset in future periods by higher margins, as physical gas is purchased for delivery to retail customers under the remaining terms of their fixed-rate contracts.

In our segment analysis, we evaluate performance based on several factors, of which the primary financial measure is gross profit adjusted to exclude the effect of any unrealized gains or losses from risk-management activities.

We classify our business interests into three reportable segments, residential and small commercial natural gas, mid-market commercial natural gas and electricity. The combined adjusted gross profit for the three-month period ended September 30th, 2006, was \$13.6 million, an increase of \$4.5 million over the prior-year corresponding period. This increase is net of a gain a \$2.5 million recorded in the same period the prior year and a loss of \$0.8 million in the three-month period ended September 30th, 2006, related to the settlement of risk-management activities during the respective quarters associated with ending inventory balances.

Again, these gains and losses will be largely offset in subsequent periods by the associated effect on margins when the inventory is sold to retail customers under fixed-rate contracts. Operating expenses for the three-month period ended September 30th, 2006, were \$20 million, up 156%, from \$7.8 million in the same period in the prior year.

This was primarily due to higher staffing levels and related costs, additional customer care costs, increased depreciation and amortization expense and reserves for bad debt, all of which are related to the SESCO acquisition. In addition, MxEnergy incurred one-time charges of \$1.3 million during the three months ended September 30th, 2006. These costs relate to \$0.5 million of rationalization charges and \$0.8 million of management bonuses related to the SESCO acquisition.

Nov. 14. 2006 / 9:30AM ET, \*\*MXE - Sept 30, 2006 Earnings Release Call

For the three-month period ended September 30th, 2006, we recorded a \$25.4 million income tax benefit compared to \$48.8 million income tax expense for the same period in the prior year. The change from the prior year is attributable to the change from pretax income for the three-month period ended September 30th, 2005 of \$119.6 million, as compared to a pretax loss for the period ended September 30th, 2006 of \$62.6 million. All significant changes have been previously discussed.

Regarding liquidity and capital resources, our principal source of liquidity for funding our ongoing operations continues to be cash from operations and availability under our revolving credit facilities.

I'll now turn the call back to Jeff Mayer for some closing remarks.

---

**Jeffrey Mayer - MxEnergy Holdings Inc. - President and CEO**

Thank you very much, Chaitu. Let me thank our listeners for joining us today. We appreciate your interest in the company and we'll now open the call for questions.

Nov. 14. 2006 / 9:30AM ET, \*\*MXE - Sept 30, 2006 Earnings Release Call

## QUESTION AND ANSWER

---

**Operator**

[OPERATOR INSTRUCTIONS] Your question comes from the line of Matthew Chyra with Deutsche Bank. Please proceed.

---

**Matthew Chyra - Deutsche Bank - Analyst**

Hi, guys. Chaitu, could you go over the gross profit again, and perhaps the gross margin per unit of sales volume?

---

**Chaitu Parikh - MxEnergy Holdings Inc. - VP and CFO**

Sure, the gross profit -- again, when we look at the segment information, we split out gross profit after adjusting for the unrealized gains and losses from risk management activities. So gross profit for the three months ended September 30th, '06, was \$13.6 million, and in the prior year it was, I think, \$9.1 million, I believe.

---

**Matthew Chyra - Deutsche Bank - Analyst**

Okay. And that's on --per unit of sales volume, what was that?

---

**Chaitu Parikh - MxEnergy Holdings Inc. - VP and CFO**

On a per unit of sales volume, I don't have the number right at my fingertips, Matt. It was a comparable number to the prior year on a per-unit basis.

---

**Matthew Chyra - Deutsche Bank - Analyst**

Okay. And then could you just give us a little bit more detail on the current liquidity, the current cash position, specifically?

---

**Chaitu Parikh - MxEnergy Holdings Inc. - VP and CFO**

Current cash balances were approximately \$25 million, as of September 30th.

---

**Matthew Chyra - Deutsche Bank - Analyst**

Okay. Okay. And then last question, was there any reason given for the attrition at the SESCO level, especially some more detail on why folks left or didn't re-up.

---

**Jeffrey Mayer - MxEnergy Holdings Inc. - President and CEO**

Matt, I'll take that. It's been our experience in prior acquisitions, of which we completed six prior to the SESCO acquisition, that when customers are notified of an acquisition of the customer accounts and are given a period to cancel by the utility commissions, in this case, some 30 days or so after notification, there is a substantial number of accounts that take advantage of that opt-out provision. In this case, we anticipated this, in fact, and, as you may recall, we actually had a negotiated provision in our asset purchase agreement which provided for a reduction in purchase price that was calculated with respect to the number of RCEs that were not in place on the date of the acquisition compared to when the contract was initially negotiated, which I think was back in May. [Editor's Note: The transcript has been edited to reflect that the Asset Purchase Agreement by and between Shell Energy Services Company, L.L.C. and MxEnergy Inc. was signed May 12, 2006.]

Nov. 14. 2006 / 9:30AM ET, \*\*MXE - Sept 30, 2006 Earnings Release Call

So we didn't find anything unusual here. We have seen a slight uptick in attrition over the summer, which we believe is attributed to the fact that competitors are out there with substantially lower offers, as we are, of course, to our competitors' customers, because the market is down from where it was last year. But we haven't seen a substantial uptick there.

---

**Matthew Chyra - Deutsche Bank - Analyst**

Jeff, if I may, just one more. Given that the natural gas forward strip is kind of back angled upward, could you just qualitatively, perhaps, describe the marketing environment right now, versus even three months ago, especially with the last couple of weeks that were much colder, especially in the Northeast?

---

**Jeffrey Mayer - MxEnergy Holdings Inc. - President and CEO**

Yes, I think I can, because this is a matter of objective fact that you can view on your screens. But, as you know, a few months ago, when we mentioned in the offering memorandum that marketing conditions were difficult, we were referring to what you are alluding to, namely the contango in the market, where the front of the market was depressed because of an overhang of gas supply coming out of last winter and the back of the market was higher because of a perception that forward prices would be higher in view of continuing demand and constrained supply.

In fact, over the past couple of months, particularly since late September, that curve has flattened out quite a bit. As you may know, the spot prices bottomed out at the end of September, I believe September 27th, and have since roared back. We also have seen the prices that we and others can offer in the market on a forward fixed-price basis much closer to the current utility prices. And, as you can expect, this improves the prospects for marketing.

I can't go into much more detail on what is happening in this quarter, but I think you can see a healthy contrast with last quarter.

---

**Matthew Chyra - Deutsche Bank - Analyst**

All right, thank you.

---

**Jeffrey Mayer - MxEnergy Holdings Inc. - President and CEO**

Thank you.

---

**Operator**

[OPERATOR INSTRUCTIONS] At this time, there are no further questions in the queue. I would now like to turn the call back over to Mr. Jeffrey Mayer for closing remarks.

---

**Jeffrey Mayer - MxEnergy Holdings Inc. - President and CEO**

Thank you very much. Thank you to everybody for joining us. Of course, we will have the transcript of this session on our website in the next day or two, I believe. We welcome your continuing interest in our company and we will continue to visit with you as more information becomes available. Thank you.

---

**Operator**

Ladies and gentlemen, this concludes your presentation. You may now disconnect your line and have a great day.

Nov. 14. 2006 / 9:30AM ET, \*\*MXE - Sept 30, 2006 Earnings Release Call

## DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2005, Thomson StreetEvents All Rights Reserved.