



Q1 2010 Conference Call

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Operator: Hello, ladies and gentlemen and welcome to AMCOL's First Quarter 2010 Results conference call.

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Such forward-looking statements are subject to uncertainties which include but are not limited to actual growth in AMCOL's various markets, utilization of AMCOL's plants, currency exchange rate, currency devaluation, delays in growth in AMCOL's various markets, delays in development, production and marketing of new products, integration of acquired businesses, and other factors detailed from time to time in AMCOL's annual report and other reports filed with the Securities & Exchange Commission.

Also as a reminder today's conference is being recorded. Joining us today are Larry Washow, President and CEO, and Mr. Don Pearson, Vice President and CFO.

I would now like to turn the call over to Mr. Larry Washow. Please go ahead, sir.

Larry Washow: Thank you, Danielle and welcome everybody. The earnings release went out this morning. Hopefully, you've had a chance to glance through some of the numbers.

To me, the real positive side after several quarters of declining growth is that we actually have revenue increasing. It's only 6% but I think it's a positive signal, and it's primarily from one segment, but again a very positive sign as we start the new year.

The real good news jumps out quickly from Minerals and Materials - increases really across the board in virtually all of our markets around the world, Metalcasting being the primary driver and you'll note in the latter pages of the press release that Metalcasting is up 41% year over year, so very nice improvement there.

The automotive markets are pretty robust around the world. We are seeing improvement with the commodity cycle moving positively again in the heavy equipment and really across the board with farm equipment as well -- so Metalcasting doing very nicely.

You'll note too and it's a little bit skewed in the numbers, but Asia Pacific showing a bit of a greater percentage of our sales for Minerals and Materials. As you would expect that their region continues to grow very nicely and again we expect that to continue throughout the year and probably several years ahead.

Just one quick note on Pet Products as a reminder, it looks like the revenue declined year over year but that's related to the freight revenue that we used to pay last year for our customers that we do not pay this year. So on a products basis volume and revenue both were up slightly quarter over quarter.

The difficult quarter was really had by Environmental and that's primarily due to weather. If you recall a couple of months



ago we were sort of marveling at snow showing up in Texas, cold weather in Florida and Spanish airports being closed.

That had a big impact on our business. It really globally slowed things down pretty dramatically. Outdoor projects finally got started as we got into March and now more into April, so we're definitely seeing the activity levels pick up. But year over year in the first quarter lining tech down 18% and that was a big chunk of the dilemma for Environmental.

A positive sign and I wouldn't get overly excited, but building materials is flat quarter over quarter. Part of that is we're selling some higher value products which helped the revenue side.

But part of it is, I think we are potentially at kind of a threshold, a base level maybe. We don't see significant additional declines nor do we see rapid growth for Building Materials, but over the next couple of quarters we'll be better able to assess as to whether or not we're kind of at the base for that business.

A quick comment on Contracting Services - this one is best described as lumpy. These will typically be fairly large projects - all of them outdoors as well, so the first quarter can be impacted by weather. We will also see volatility quarter over quarter in Contracting Services just because of the nature of the projects. If we get a big project and it ships a lot in the quarter it'll be a big step. If the project is delayed, obviously that has an impact. So this area will be one that's going to be difficult to really provide a lot of direction for you.

Finally Oilfield Services - positive in that we had sequential growth from Q4 to Q1. Margins were up, as I think I mentioned last earnings call we expect a gradual improvement as margins head back towards the 30% plus range. We made a little bit of a step that way this quarter and we expect that to continue to improve in Q2.

The activity level in Oilfield Services definitely picked up in the last few months and we're seeing activity offshore even though natural gas prices are still around \$4.00, and drilling activity is up.

Oil prices rather in the \$80 dollar plus or minus range pretty solidly it seems. So we just need more activity coming there, and we haven't caught up with last year for sure and it'll take a couple of quarters before we do that, but we'll definitely see improvement in Oilfield Services.

So with that quick overview, we'll let Don talk about some of the financials and then we'll open for questions.

Don Pearson: Thanks Larry. Want to start off just looking at the gross margins and point out that in our Minerals segment we almost hit our target of 25% gross margin which is the highest gross margin that we've had in that segment at least in the recent past. That also carried down to the operating margin line which was just under 15%.

So the strength in the Minerals segment was able to keep the consolidated gross margin line comparable to prior year. It was down slightly but certainly we were able to keep the operating margin flat. Larry mentioned the softness in the Environmental business which was the big driver on margin reduction in the first quarter.

Looking down to the income tax line we were just under 27% for the quarter. We had a couple of one-time items there of several hundred thousand dollars. That increased the rate.. For the year I'd expect the income tax effective rate to be around 24% or 25% plus or minus.

On the joint venture line some softness there. We had some one-time costs in Russia that we would not expect going forward. That said until we see some consistency in that line item probably look to have lower numbers there maybe between zero and half a million per quarter. Again, until we see some consistency in those operations which is primarily Russia and India.

And then lastly, I just want to point out on the income statement the income loss attributable to non-controlling interest is principally South Africa. Again this is where we have some start up operations so some slight loss to breakeven until we get the plant up and running. So I wouldn't expect that to continue too much going forward.

Moving to the balance sheet - happy to say that we contained debt to a \$6 million increase because we did spend \$16



million in capital of which \$11 million was on South Africa. So we now have the majority of the spending of our new South Africa processing plant paid.

Working capital - just like to point out that although we've talked about an \$8 million increase in the release, \$5 million of that is a re-class of a note from one of our partners in South Africa and that's really non-cash. So working capital was about \$3 million up -- pretty close to flat. So we continue to focus on working capital both in this quarter and going forward.

With that, I'll turn it back to you Larry.

Larry Washow: Thanks Don. All right, Danielle, if you'll open up the call for questions we're ready.

Operator: Absolutely. Thank you. Ladies and gentlemen, if you'd like to ask a question at this time, please press the star key followed by the digit 1 on your touchtone telephone. If you are joining us using your speakerphone, please ensure your mute function is turned off to allow your signal to reach our equipment. Once again if you'd like to ask a question at this time, please press star 1. We'll pause for just a moment.

We'll hear first from Al Kaschalk with Wedbush Securities.

Al Kaschalk: Good morning guys.

Larry Washow: Good morning Al. :

Al Kaschalk: Larry, first I want to congratulate the team over there on some very robust Minerals performance. I'm sure part of that has some legacy from the price strategy that was implemented. But could you elaborate on maybe the positive variance relative to your own expectations or internal expectations as it relates to price and volume components of the strong performance?

Larry Washow: A real driver this quarter Al. It was more volume than price quite frankly. And the benefit of that volume showing up in margin in large part over the last, well probably three years we've really had a strong focus on operational improvement and efficiencies, but the decline in the business really sort of masked that for most of last year.

But now that we're seeing that volume come back, the operating cost benefits are definitely there. We're able to run these operations far more efficiently with less people, better throughput, better controls, and there's still more that we expect to get out of that process.

So we're pretty pleased that what we thought we would see when the volume came back is definitely starting to show up. We talked about gross margins as you know in the mid-20s so we're getting there.

After this quarter hopefully, that's kind of the new threshold and we'll see what more we can do. But overall, I think our expectations were as the business comes back which it did clearly in Q1, we would expect to see these types of numbers come up.

Al Kaschalk: So further strength on volumes, some other mixed things coming into the fold particularly next year gross margins in particular, you may have focused on that should be in that 24 to 27 range. Is that reasonable?

Larry Washow: I think that's a good range, 25 plus or minus should be a good long term sustainable level, as long as we see the reasonable volumes continue.

Al Kaschalk: Are we going to have any short term effects here on input costs in particular energy costs?

Larry Washow: It will come through clearly. Diesel prices are up again, I think back over \$3.00, which has an impact on our mining and transport costs. But we're far more proactive in tracking those and making sure that we adjust the prices accordingly to ensure that the margins are stable or improving.



AI Kaschalk: Okay. And if I may flip to Oilfield Service real quick, probably much more of a disappointment on the lower priced gas prices. But is it really a function -- and I appreciate through our prior discussions about the higher fixed costs in the business -- but is it due more to exposure to certain projects or really just folks coming back or being interrupted by weather patterns that this one still is struggling?

Larry Washow: Oilfield is not really related to weather. It's more project driven and I think what's happening in Schlumberger and some other service companies have announced earnings very similar results where they say the US activity is picking up but it was down pretty dramatically from last year.

As the activity picks up that makes the services more valuable. Right now at least, there has been more supply than demand for the services so the pricing as a result has come down.

We're seeing that start to level out. We've been able to begin to move some of the pricing for our services up again and that's really going to be the driver for the margins.

The projects are - again if they return, especially the offshore activity which appears like it is returning, drive the margins up very nicely. Hard to see a real stepwise improvement because it tends to be gradual and things move at a slower pace there, so I would not look for the sort of improvement we saw in Minerals.

I think in Oilfield Services going forward, we should see continued improvement over the next couple of quarters as long as the oil and gas pricing stay where they are and the activity levels on the demand side for oil continue to improve.

AI Kaschalk: And then finally if I may just on the chromite business, here it sounds like the CAPEX is largely behind you now. Construction probably on its way to completion at the end of this quarter?

Larry Washow: Correct.

AI Kaschalk: Could you just talk about the seasonality - what you expect from seasonality of this business when it is up and running? In other words is it a pretty straight line business or do we have a higher Q2/Q3 or is it more Q1/Q2?

Larry Washow: Really don't see the seasonality in chrome that we do in Environmental. It'll be much like our regular Metalcasting business and about the only slowdown we typically see is around the Christmas holidays.

Usually mid-December to mid-January the foundries are able to shut down and typically do a lot of maintenance at that time. Except for that it should be fairly consistent throughout the year.

AI Kaschalk: Great. Thanks a lot.

Larry Washow: Thanks AI.

Operator: Our next question will come from Rich Wesolowski with Sidoti & Company.

Rich Wesolowski: Good morning.

Larry Washow: Good morning Rich.

Rich Wesolowski: Your Asian Metalcasting business is that succeeding on the back of sales of an unrefined product or are customers buying more of the value-added mix that you were aiming for with your Tianjin plant.

Larry Washow: It's a combination, but we're definitely selling more of the value added products. We still look for high value customers who end up shipping material from the US to China. That ends up, producing a very nice margin for us over there.

We are gradually seeing the transition to the higher value products across the board. And our local production in China is fairly cost effective as well so margins in China are not too bad.



Rich Wesolowski: What share of your Chinese Metalcasting business is produced in China versus shipped from elsewhere?

Larry Washow: The vast majority is produced in China - probably 70% I would guess.

Rich Wesolowski: Okay. Your Basic Minerals business which is something that tends to go ignored jumped in the first quarter. Was that steel making or drilling or both? And would you view that activity as a leading indicator for some of your more meaningful segments?

Larry Washow: A little of both really but probably more in drilling. We are certainly seeing activity increase in the iron ore pelletizing as well. So the steel making is returning albeit at a bit slower pace.

But the rig count on the drilling side has been moving up pretty consistently week after week for the last several months. So small numbers - it might be a 5, 7, 10 rigs a week but it's definitely been trending upward and we see the results of that in increased demand for our drilling products.

Rich Wesolowski: Okay and then moving to Environmental where would you expect your Contracting Service business to first move the needle and where are you focusing your sales efforts?

Larry Washow: The US will still be the large driver. We've got some projects in Europe that are evolving and I think we'll see some success with those as time goes on.

But for 2010, it's really going to be a US driven success and there's a number of projects that are in the works or in the process of bidding or in the final conclusion of proposal stage. So it is as I said before kind a lumpy.

Some of the projects that we're looking at today have now been in the talking planning bidding process for almost a year. And once they finally break and they've got the money to do it they'll move fairly quickly. But the timing on that is really difficult to predict.

So I think Contracting Services will look better, a couple of quarters going forward. They won't have the weather problems and the real success of that group is dependent on really hitting a couple of these big projects.

Rich Wesolowski: Would you suspect Contracting Services would be able to equal or surpass the revenue contribution they had in 2009?

Larry Washow: I do. Yes.

Rich Wesolowski: Okay. Lastly, could you talk about the cost that you've taken out during the past year, where you have the opportunity to keep those down after the business begins to rebound in earnest and where do you foresee having to either raise expenses or capital spending?

Larry Washow: We've done a lot operationally, more to really make sure that we've got good concise controls over every step of the process. There is an ongoing set of projects and we're not completely through the whole manufacturing system yet.

But just to give you kind of orders of magnitude, we shut down our Belle Fourche plant last year. It is still in a closure mode and our current belief is with the improvements we've made in efficiencies that we could get back to our highest ever production levels and not have to bring Belle Fourche back on.

Rich Wesolowski: Is Belle Fourche the one in North Dakota?

Larry Washow: No. It's in South Dakota. At its peak in 2008 it was probably 350,000 or 400,000 tons so that can be absorbed in our other plants now and we have over the course of the downturn reduced our employee count.

With a rare odd exception we think we've got the controls, the systems, and the people now, so that we really don't have



to bring back people we had before to get back to the same level of production, volume, and sales.

So a lot of the costs that have been taken out are permanent. We think they're going to stay that way. There was an earlier question on the input of the energy costs.

That is still a factor for sure, especially when it comes to the diesel which will have an impact on costs, but operationally our efficiencies should really be long lasting and continue to improve.

Rich Wesolowski: Excellent. Thank you.

Larry Washow: Thank you.

Operator: And next in queue we have Torin Eastburn with CJS Securities.

Torin Eastburn: Good morning.

Larry Washow: Good morning.

Don Pearson: Hey Torin.

Torin Eastburn: Is there any way to quantify or elaborate on what pent up demand if any was recreated by the weather in Environmental and then lining specifically?

Larry Washow: It's hard to quantify. We did end up with a backlog of orders and today going into just about the end of April - end of May our backlog is higher than it has been for the last couple years, so we do expect to see a continued up-tick in the business levels.

The backlog isn't always a great measure because some of the big projects won't actually place the orders until the project is ready to go, so it may not show up on the backlog and it might just come in as an order.

We do think that Environmental will come back in Q2 and Q3 as they normally do and we should be able to offset the very slow start that we had in Q1.

Q1 typically is 10% or 12% of our Environmental business. So the real driver is Q2, 3, and 4 and depending on the weather and the activity sometimes Q4 turns out to be pretty reasonable as it did last year. So we'll have to see but Q2 and Q3 will be busy.

Torin Eastburn: Okay. And then in Oilfield Services, if you backed out the Asian - or Asian Pacific revenue it looks like it's on a pretty strong upturn. What is your outlook there?

Larry Washow: Oilfield Services - Asia Pacific is a real small factor for them. The Gulf of Mexico is the main driver and the activity level really has increased a lot in the request for projects, the amount of drilling related activity is up. The demand for some of the services like coiled tubing is stronger than it has been in many months.

So it's one of those things where you want to see a quarter or two of continued improvement, but the feel is pretty positive right now.

Torin Eastburn: Okay. Thank you.

Larry Washow: Thank you.

Operator: And next we'll hear from Nat Kellogg with Hudson Securities.

Nat Kellogg: Hi guys. Just a couple quick things. CAPEX - any changes for your CAPEX guidance or are you guys sort of comfortable where things are?



Don Pearson: Nat, I think we'll probably still be \$50 million-ish perhaps several million higher but not above \$55 so kind of in that range.

Nat Kellogg: Okay and just an update on South Africa - things just moving okay there? Just curious on what the time frame looks like - any changes there.

Larry Washow: No real changes. There's a bunch of us going down there the end of the month to make sure we're on track, but the expectation is still that we will get the plant going, at least the early start by end of the quarter and have some product that we can begin to ship next quarter for sure.

Nat Kellogg: Okay. And then a full ramp up -- you guys are looking fourth quarter this year or some time next year?

Larry Washow: It's going to depend a little bit on demand Nat. Probably realistically get into next year by the time we will have the full ramp up, but we should have that capability in place by the end of this year.

Nat Kellogg: Okay, and then on demand, I'm just curious how demand is looking. I know some of the applications you guys have talked about, are holding up pretty well for these product or holding up pretty well in the downturn.

But my perception has been that those tend to be relatively late cycle stuff. Obviously like ship building type applications. I'm just curious if anecdotally you guys have seen that is still holding up pretty well or any changes there?

Larry Washow: It is pretty solid. If there is one slower area it's definitely the ship building area. But, power generation, where they're making castings for the big turbines, wind turbines themselves, a lot of castings in there. A lot of the markets are very strong.

So the demand year over year is not declining. It's picking up we think over the last several months. So about the time that we're really ready to aggressively get in the market we think that we're going to be in pretty fair shape.

The demand never dropped anywhere near as much in the foundry sand business as it did in the ferrochrome or stainless steel and we are seeing the demand for ferrochrome return as well which is a positive for our business from the sense that people now have an outlet for all the chrome.

It goes into ferrochrome which is a traditional outlet, whereas sometimes when the business slows down people will say well I can maybe sell into the foundry market even though the quality is not what the customers really should have or want to have.

So I think we're going to also see the benefit of that market coming back strongly. That'll suck up some of that material some of which has ended up in the foundry markets.

Nat Kellogg: Okay. And then last, I know you guys now are breaking out the Ashapura sort of available for sale securities. Just curious if you guys have changed your strategy there any as far as maybe you just want to sell out of the investment at some point or you're still looking at maybe some point being able to swap debt for the bentonite assets that they have, any update there?

Larry Washow: Yeah it's a difficult situation Nat. I mean, India is a great country to be in. It's got tremendous opportunity. The activity level in every sector related to bentonite is growing nicely. We would love to be in there in a much bigger way.

Ashapura is the biggest bentonite producer there. For the most part we work well together so I think we'll continue to do that. If there's an opportunity at some stage it'd be wonderful to have a bigger position there or a sole operation, but at this point I think we'll probably continue working with them as we have been.

Nat Kellogg: Okay that's helpful. All right well thanks for the color as always guys and congrats on a nice quarter.

Larry Washow: Thank you.



Operator: And the next question will come from Jay Harris with Goldsmith & Harris.

Jay Harris: Larry coming back to chrome, do we get to a position in terms of establishing credentials for the quality of the chrome sands that you're going to be selling to foundries where it's going to become more difficult for the chrome ore suppliers that have excess supply to access that market and therefore your selling prices will become less sensitive to the supply and demand in the stainless steel market?

Larry Washow: We think they're pretty well decoupled already Jay. I mean, the product that we would be making and selling has never been made or sold in the foundry market before.

We've already got the right team in place with the technical experience and the skills to help the foundries really demonstrate the value of the right quality material.

So we're pretty confident that, our pricing model which is strong coming out of the gate it's not going to be impacted by the ferrochrome side.

And again we're building a 100,000 ton plant. This is a 600,000 ton plus industry that's growing so we don't need to have a giant market share to have a very successful operation.

We're really focused on the high value foundries that make the expensive castings where the value can be demonstrated for having the right chrome sand in their process and I think we're going to be very successful with that.

Jay Harris: So another way of saying that would be that the target customers are moving towards the specs that you're establishing in your product and would insist on those specs for normal operations?

Larry Washow: Well we think we're going to convince the right customers to get there. I won't say we're there yet Jay. But that's really our marketing strategy, to really demonstrate the value of a really high quality consistent material.

Jay Harris: How much longer do you think it's going to take - another year to get there?

Larry Washow: We've been sort of seeding the market and our marketing team is well established with relationships and connections in the market. So I think once we are producing the greater product that we want we'll have an opportunity to get trials.

But you've got to recognize things coming from South Africa is four to eight week shipping, trials, and then approvals and so it's kind of a multi-month process. So I think as we get into 2011 we'll begin to see kind of the fruits of that work in a very meaningful way.

Jay Harris: All right. Thank you.

Larry Washow: Thank you.

Operator: And next we'll hear from Todd Vencil with Davenport & Company.

Todd Vencil: Good morning guys.

Larry Washow: Good morning.

Todd Vencil: Most of my questions have been answered but I just wanted you to dig in - you guys have been pretty clear that the biggest piece of the Minerals effect on AMCOL's organic growth in the quarter was volume. I mean, can you ballpark what a volume versus price breakout would be on that 8.9% organic growth year over year?

Larry Washow: Almost all of it was volume. The pricing - we made the move a couple of years ago and we've continued to move it in response to kind of cost pressures and making sure that the margins are heading the right way and that's an ongoing process. But the big move a couple of years ago really set the stage. The volume driver now showing the cost benefits have helped the margins a lot this quarter.



Todd Vencil: So fair to say on the pricing side you guys are kind of there at least in terms of the price cost relationship that you'd be looking for?

Larry Washow: Yes and I think again we're looking for opportunities to increase the pricing where appropriate and we'll do that, but the big move was a couple of year ago and I think again the cost benefit shows we'll continue to move the pricing as appropriate. The margins that we saw in Q1 ought to be very sustainable and potentially can get better.

Todd Vencil: Got it. Thanks a lot.

Larry Washow: Thank you.

Operator: And next we'll hear from Gregory Macosko with Lord Abbett.

Gregory Macosko: Yes thank you. With regard to the chromite project, etcetera, any impact from the rand or effects there in terms of the project itself?

Larry Washow: There had been a great reaction when we started the project or at least started the concept of the project the rand was trading around 10. And I haven't looked today but it's 7.3 something like or 7.4. So from a dollar standpoint the investment side is greater for sure, probably over the whole project a million and a half dollars something like that.

It does add a bit to the cost side coming out of South Africa because the market is dollar denominated. But the relative cost for the raw material versus the selling price and the shipping it's not going to have a huge impact on our margins at the end of the day.

So the projects costs themselves are higher, but, the operating costs again a fairly small percentage of the cost so I think we're going to be in good shape on the margins.

Gregory Macosko: Okay. With regard to the Environmental projects in the Environmental area you have operations in Europe and the Middle East. Does that affect it as well?

Larry Washow: We do especially in the Contracting Service area we've got activity going on for the last several years in Spain. We've got some business in Poland, a little bit in Ireland, so that's a part of it.

The Middle East has been a pretty modest area for us quite frankly. We've had activity over there but we weren't in the right position at the right time when a lot of the big building was going in places like Dubai. We now have a presence there and we're looking to improve our position but very little of our business today is in the Middle East.

Gregory Macosko: And then finally with regard to the chromite --when might you expect to have trials begin at some of the key customers?

Larry Washow: We've actually done a little bit of trialing on small scale with sort of pilot plant produced material. Bigger scale trials we should start to see in Q3 of this year.

Gregory Macosko: Okay. Thank you.

Larry Washow: Thank you.

Operator: And next we have a follow up question from Al Kaschalk with Wedbush Securities.

Al Kaschalk: Hey Larry just a clarification or little additional discussion - in Oilfield Services you highlight a large Australia based contract. I don't know if you're going to name it specifically but could you talk about maybe the duration of the contract, where we're at in that. Is it big size or just higher profitability?

Larry Washow: It's a nice margin area in Australia. The projects there tend to be kind of multi-month projects so it's not years and years. It just turns out it had a positive impact on us this go around and there were some nice projects there



last year.

So it's harder over there because, we've got a small team and we do some fairly creative work in the Oilfield Service sector. When the projects are there it's a little bit like Nigeria. They're very good and they're profitable but again it's kind of lumpy, so nice to see it this quarter. It'll continue on into Q2 and hopefully other things kind of make up for that if that does wind down over the next few months.

You know, we're obviously always looking for more projects, but it is a little bit harder to predict in Australia just because of the relative size compared to the Gulf.

Al Kaschalk: Thank you.

Larry Washow: Thank you.

Operator: And next we'll hear from Andrew Nelson with Nelson & Associates.

Andrew Nelson: Good morning.

Larry Washow: Good morning Andrew.

Andrew Nelson: I wanted to ask you about - you mentioned the level of employment. Has it dropped from the end of fourth quarter in 2009 to the end of the first quarter of '10?

Larry Washow: No Andrew it's pretty flat. I mean, actually at the end of the quarter we had I think one more person globally than we started the quarter with, so most of the employee reductions were last year.

Andrew Nelson: Okay. Have you seen dramatic increase in your pension - or what's your pension outlook for your pension costs?

Don Pearson: Hi Andrew. It's Don Pearson. No we don't see any substantial increase. In fact 2010 over 2009 we'll probably have a reduction in pension expense.

Andrew Nelson: Okay. Did you suffer from the new healthcare plan i.e. the drug participation like a lot of other companies like Caterpillar etcetera?

Don Pearson: No we didn't Andrew. We don't have any retiree health benefits, which is where those taxes came into play. So the first time we'll start to see an impact is January of next year when they raise the age for eligible people and take off the caps and things like that. So we will see an impact next year for sure but nothing really in 2010.

Andrew Nelson: Very good. Thank you.

Don Pearson: Thank you.

Operator: And next we have a follow up question from Rich Wesolowski with Sidoti & Company.

Rich Wesolowski: Thanks. On Contracting Services it sounds as though you're becoming increasingly bullish on the growth prospects but this is a different and some would argue riskier business than your typical commodity and product sales.

Can you detail your project controls for the project business - how you aim to minimize the execution hiccups?

Larry Washow: Good question Rich and no question about it -- there's a higher element of risk. The good thing about the way that we approach this market we are not going to be the final design engineering guy that puts the stamp on the project.

We'll participate with those designers and developers and make sure that they understand and know the technologies



that we can bring and the role that we could play in making sure that they're installed appropriately and successfully but ultimately the design risk is somebody else.

Regarding installation risk, we've done a lot of work here and we also have a team - a management team that reviews every substantial project, looks at the whole package, makes sure that we thought of everything, monitors it as it goes on.

And a lot of the projects especially the big ones also have outside auditors. They call them something else, I forget right now. But they will come and check on a regular basis daily in some cases for the progress on the project, the installation quality, any issues that they see.

They're really there to monitor and check and verify that everything is to the specifications that have been designed. Especially on the municipal projects you see that a lot. So we've got a number of checks and balances not to mention our own project team and our experienced guys that have been doing this for several years.

But, it is an area we highlight quite frankly as a riskier area and as a result we've really put in a lot more management controls and checks and balances along the way to make sure that we are accurately assessing the risk, we understand what we're getting into and managing that so that we're not surprised at the end of a project.

Rich Wesolowski: So to be clear AMCOL is acting more as a project manager than as a contractor doing the nuts and bolts of the construction work.

Larry Washow: That's correct. In fact a lot of times we will be part of several other contractors working for a general contractor who has the overall responsibility for the project.

Some of the smaller projects we may have a bigger role, but again we function really more as the contractor installer, not often as the general contractor and never really as the official design guy that puts a stamp on it.

Rich Wesolowski: Thanks again.

Larry Washow: Thank you.

Operator: And with no further questions I'd like to turn the call back to Larry Washow for any additional or closing remarks.

Larry Washow: Thank you. Appreciate the questions and the input and look forward to talking with you again next quarter. Thank you.

Operator: And ladies and gentlemen, that does conclude today's teleconference. Thank you all, once again, for your participation.

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